

NEWPORT CORP
Form 10-Q
August 08, 2013
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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 June 29, 2013

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

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(Exact name of registrant as specified in its charter)

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

94-0849175
(IRS Employer Identification No.)

1791 Deere Avenue, Irvine, California 92606

(Address of principal executive offices) (Zip Code)

(949) 863-3144

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 (§232.405 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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 26, 2013, 39,116,075 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 Income and Comprehensive Income****(In thousands, except per share data)****(Unaudited)**

	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net sales	\$ 134,234	\$ 153,655	\$ 266,841	\$ 310,822
Cost of sales	76,997	86,772	154,472	175,870
Gross profit	57,237	66,883	112,369	134,952
Selling, general and administrative expenses	38,067	41,887	75,675	85,947
Research and development expense	13,577	13,651	26,678	27,450
Operating income	5,593	11,345	10,016	21,555
Gain on sale of investment	-	5,298	-	5,298
Interest and other expense, net	(2,042)	(2,828)	(4,179)	(5,015)
Income before income taxes	3,551	13,815	5,837	21,838
Income tax provision	946	4,754	498	6,189
Net income	2,605	9,061	5,339	15,649
Net loss attributable to non-controlling interests	(57)	(93)	(69)	(97)
Net income attributable to Newport Corporation	\$ 2,662	\$ 9,154	\$ 5,408	\$ 15,746
Net income	\$ 2,605	\$ 9,061	\$ 5,339	\$ 15,649
Other comprehensive income:				
Foreign currency translation gains (losses)	777	(3,485)	(1,675)	(1,898)
Unrecognized net pension gains	38	102	228	86
Unrealized losses on marketable securities	(50)	(140)	(148)	(107)
Comprehensive income	\$ 3,370	\$ 5,538	\$ 3,744	\$ 13,730
Comprehensive loss attributable to non-controlling interests	\$ (85)	\$ (69)	\$ (146)	\$ (115)
Comprehensive income attributable to Newport Corporation	3,455	5,607	3,890	13,845
Comprehensive income	\$ 3,370	\$ 5,538	\$ 3,744	\$ 13,730
Net income per share attributable to Newport Corporation:				

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Basic	\$	0.07	\$	0.24	\$	0.14	\$	0.41
Diluted	\$	0.07	\$	0.24	\$	0.14	\$	0.40

Shares used in per share calculations:

Basic	39,085	38,220	38,843	37,975
Diluted	39,361	38,898	39,311	38,915

See accompanying notes.

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

	June 29, 2013	December 29, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 90,186	\$ 88,767
Restricted cash	3,220	3,107
Marketable securities	8,574	8,498
Accounts receivable, net of allowance for doubtful accounts of \$1,354 and \$1,548 as of June 29, 2013 and December 29, 2012, respectively	86,467	89,445
Notes receivable	1,128	1,536
Inventories	107,946	108,728
Deferred income taxes	19,812	19,872
Prepaid expenses and other current assets	20,867	17,727
Total current assets	338,200	337,680
Property and equipment, net	81,220	82,843
Goodwill	79,489	79,586
Deferred income taxes	5,426	5,646
Intangible assets, net	72,171	77,446
Investments and other assets	35,504	37,760
	\$ 612,010	\$ 620,961
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings, net	\$ 32,767	\$ 32,985
Accounts payable	31,181	31,061
Accrued payroll and related expenses	29,242	29,096
Accrued expenses and other current liabilities	38,612	34,696
Total current liabilities	131,802	127,838
Long-term debt, net	128,647	150,758
Accrued pension liabilities	27,731	27,764
Deferred income taxes and other liabilities	22,850	23,783
Commitments and contingencies (Note 15)		
Stockholders equity:		
Common stock, par value \$0.1167 per share, 200,000,000 shares authorized; 39,101,228 and 38,402,291 shares issued and outstanding as of June 29, 2013 and December 29, 2012, respectively	4,563	4,481
Capital in excess of par value	447,410	441,074
Accumulated other comprehensive loss	(8,467)	(6,949)
Accumulated deficit	(143,766)	(149,174)
Total stockholders equity of Newport Corporation	299,740	289,432
Non-controlling interests	1,240	1,386

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Total stockholders' equity		300,980		290,818
	\$	612,010	\$	620,961

See accompanying notes.

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NEWPORT CORPORATION

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended	
	June 29, 2013	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,339	\$ 15,649
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,682	21,377
Gain on sale of assets	-	(5,323)
Provision for losses on inventories	3,775	3,790
Stock-based compensation expense	4,145	4,092
Provision for doubtful accounts	166	191
Loss on disposal of property and equipment	432	130
Deferred income taxes	(101)	1,361
Increase (decrease) in cash, net of acquisition, due to changes in:		
Accounts and notes receivable	1,636	(3,915)
Inventories	(3,568)	(1,803)
Prepaid expenses and other assets	(3,896)	448
Accounts payable	1,048	703
Accrued payroll and related expenses	342	(6,604)
Accrued expenses and other liabilities	4,290	(1,963)
Other long-term liabilities	(5)	180
Net cash provided by operating activities	29,285	28,313
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(8,340)	(6,186)
Restricted cash	(139)	9,412
Gain on sale of assets	-	5,323
Business acquisition, net of cash acquired	-	(8,939)
Purchase of marketable securities	(2,400)	(1,206)
Proceeds from the sale of marketable securities	2,245	1,161
Net cash used in investing activities	(8,634)	(435)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt and obligations under capital leases	(19,422)	(14,489)
Proceeds from short-term borrowings	1,683	3,894
Repayment of short-term borrowings	(3,495)	(21,868)
Proceeds from the issuance of common stock under employee plans	4,266	2,403
Tax withholding payments related to net share settlement of equity awards	(1,993)	(3,053)
Net cash used in financing activities	(18,961)	(33,113)
Impact of foreign exchange rate changes on cash balances	(271)	(748)
Net increase (decrease) in cash and cash equivalents	1,419	(5,983)
Cash and cash equivalents at beginning of period	88,767	55,701
Cash and cash equivalents at end of period	\$ 90,186	\$ 49,718

Supplemental disclosures of cash flow information:

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Cash paid during the period for interest	\$	3,354	\$	3,501
Cash paid during the period for income taxes, net	\$	2,113	\$	2,837
Property and equipment accrued in accounts payable	\$	714	\$	138

See accompanying notes.

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Notes to Consolidated Financial Statements

June 29, 2013

NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Newport Corporation and its wholly owned subsidiaries (collectively referred to as the Company) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions of Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for a fair presentation have been included. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements do not include certain footnotes and financial presentations normally required under generally accepted accounting principles (GAAP) and, therefore, should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the year ended December 29, 2012. The results for the interim periods are not necessarily indicative of the results the Company will have for the full year ending December 28, 2013. The December 29, 2012 balances reported herein are derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 29, 2012.

Subsequent to the filing of the Company's Quarterly Report on Form 10-Q for the six months ended June 30, 2012, management determined that certain debt repayments and borrowings were both overstated by \$1.3 million in the Company's consolidated statement of cash flows for the six months ended June 30, 2012. In the consolidated statement of cash flows included in the accompanying unaudited consolidated financial statements, the Company corrected the presentation of *repayment of long-term debt and obligations under capital leases, repayment of short-term borrowings* and *proceeds from short-term borrowings* to accurately report debt repayments and borrowings. The Company believes that the effect of this adjustment is not material to the consolidated statement of cash flows for the six months ended June 30, 2012.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In March 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-05, *Foreign Currency Matters: Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*, which clarifies the guidance in Topics 810 and 830. Topic 810 requires companies to deconsolidate a subsidiary or derecognize a group of assets if the parent ceases to hold a controlling financial interest in that subsidiary or group of assets. Upon the loss of a controlling financial interest, the parent would recognize the cumulative translation adjustment in net income. The guidance in Topic 810 does not distinguish between a sale or transfer of an investment *in* a foreign entity and a sale or transfer of a subsidiary or group of assets *within* a foreign entity. Topic 830 requires the release of the cumulative translation adjustment into net income if a sale or transfer represented a complete or substantially complete liquidation of an investment *in* a foreign entity. ASU No. 2013-05 clarifies that companies that cease to have a controlling financial interest in a subsidiary or group of assets *within* a foreign subsidiary should release the

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cumulative translation adjustment into net income if the sale or transfer results in a complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. ASU No. 2013-05 will be effective for fiscal years beginning after December 15, 2013, and early adoption is permitted but has not been elected by the Company. The adoption of ASU No. 2013-05 will not have a material impact on the Company's financial position or results of operations.

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Notes to Consolidated Financial Statements

June 29, 2013

NOTE 3 MARKETABLE SECURITIES

All marketable securities of the Company were classified as available for sale and were recorded at market value using the specific identification method, and unrealized gains and losses are reflected in *accumulated other comprehensive loss* in the accompanying consolidated balance sheets. The aggregate fair value of available for sale securities and the aggregate amount of unrealized gains and losses in available for sale securities at June 29, 2013 were as follows:

(In thousands)	Aggregate Fair Value	Aggregate Amount of Unrealized	
		Gains	Losses
Money market funds	\$ 4,999	\$ 85	\$ -
Certificates of deposit	3,575	-	-