

GREATBATCH, INC.
Form 10-Q
May 08, 2012
Table of Contents

U.S. 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 March 30, 2012

Commission File Number 1-16137

GREATBATCH, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of incorporation)

10000 Wehrle Drive

16-1531026
(I.R.S. employer
identification no.)

Edgar Filing: GREATBATCH, INC. - Form 10-Q

Clarence, New York

14031

(Address of principal executive offices)

(716) 759-5600

(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 checkmark whether the registrant has submitted electronically and posted on its corporate website, 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The number of shares outstanding of the Company's common stock, \$0.001 par value per share, as of May 8, 2012 was: 23,647,490 shares.

Table of Contents

Greatbatch, Inc.

Table of Contents for Form 10-Q

For the Quarterly Period Ended March 30, 2012

	Page No.
<u>PART I - FINANCIAL INFORMATION</u>	
<u>ITEM 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets Unaudited</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Income Unaudited</u>	4
<u>Condensed Consolidated Statements of Cash Flows Unaudited</u>	5
<u>Condensed Consolidated Statement of Stockholders Equity Unaudited</u>	6
<u>Notes to Condensed Consolidated Financial Statements Unaudited</u>	7
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	45
<u>ITEM 4. Controls and Procedures</u>	47
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 1. Legal Proceedings</u>	47
<u>ITEM 1A. Risk Factors</u>	48
<u>ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
<u>ITEM 3. Defaults Upon Senior Securities</u>	48
<u>ITEM 4. Mine Safety Disclosures</u>	48
<u>ITEM 5. Other Information</u>	48
<u>ITEM 6. Exhibits</u>	48
<u>SIGNATURES</u>	48
<u>EXHIBIT INDEX</u>	49

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****GREATBATCH, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS Unaudited**

(in thousands except share and per share data)

	March 30, 2012	As of December 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,534	\$ 36,508
Accounts receivable, net of allowance for doubtful accounts of \$1.9 million in 2012 and 2011	116,374	101,946
Inventories	112,450	109,913
Refundable income taxes	213	1,292
Deferred income taxes	7,394	7,828
Prepaid expenses and other current assets	6,983	7,469
Total current assets	252,948	264,956
Property, plant and equipment, net	150,900	145,806
Amortizing intangible assets, net	100,075	100,258
Indefinite-lived intangible assets	20,828	20,288
Goodwill	349,471	338,653
Deferred income taxes	2,526	2,450
Other assets	10,243	8,936
Total assets	\$ 886,991	\$ 881,347
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 47,690	\$ 40,665
Deferred income taxes	877	845
Accrued expenses	29,577	52,539
Total current liabilities	78,144	94,049
Long-term debt	238,639	235,950
Deferred income taxes	76,099	75,203
Other long-term liabilities	10,732	8,862
Total liabilities	403,614	414,064
Stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 100,000,000 shares; no shares issued or outstanding in 2012 or 2011		
Common stock, \$0.001 par value, authorized 100,000,000 shares; 23,639,144 shares issued and outstanding in 2012 23,466,128 shares issued and 23,406,023 shares outstanding in 2011	24	23
Additional paid-in capital	312,872	307,196
Treasury stock, at cost, 0 shares in 2012 and 60,105 shares in 2011		(1,387)
Retained earnings	156,989	152,522
Accumulated other comprehensive income	13,492	8,929

Edgar Filing: GREATBATCH, INC. - Form 10-Q

Total stockholders' equity	483,377	467,283
Total liabilities and stockholders' equity	\$ 886,991	\$ 881,347

The accompanying notes are an integral part of these condensed consolidated financial statements.

- 3 -

Table of Contents**GREATBATCH, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME Unaudited****(in thousands except per share data)**

	Three Months Ended	
	March 30,	April 1,
	2012	2011
Sales	\$ 159,103	\$ 148,834
Cost of sales	112,215	101,664
Gross profit	46,888	47,170
Operating expenses:		
Selling, general and administrative expenses	19,034	18,649
Research, development and engineering costs, net	13,911	10,388
Other operating expenses, net	2,745	167
Total operating expenses	35,690	29,204
Operating income	11,198	17,966
Interest expense	4,359	4,274
Interest income		(8)
Gain on sale of cost method investment		(4,549)
Other expense, net	720	422
Income before provision for income taxes	6,119	17,827
Provision for income taxes	1,652	5,883
Net income	\$ 4,467	\$ 11,944
Earnings per share:		
Basic	\$ 0.19	\$ 0.51
Diluted	\$ 0.19	\$ 0.51
Weighted average shares outstanding:		
Basic	23,420	23,200
Diluted	23,848	23,587
Comprehensive income:		
Net income	\$ 4,467	\$ 11,944
Foreign currency translation gain	4,038	2,215
Net change in cash flow hedges, net of tax	525	270
Comprehensive income	\$ 9,030	\$ 14,429

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**GREATBATCH, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS Unaudited****(in thousands)**

	Three Months Ended	
	March 30,	April 1,
	2012	2011
Cash flows from operating activities:		
Net income	\$ 4,467	\$ 11,944
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,119	8,840
Debt related amortization included in interest expense	2,956	2,759
Stock-based compensation	2,187	2,747
Gain on sale of cost method investment		(4,549)
Other non-cash losses	165	172
Deferred income taxes	123	1,037
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(13,605)	(10,131)
Inventories	(1,910)	(712)
Prepaid expenses and other current assets	848	(80)
Accounts payable	4,958	8,189
Accrued expenses	(12,734)	7
Income taxes payable	1,016	4,783
Net cash provided by (used in) operating activities	(410)	25,006
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(9,836)	(6,047)
Proceeds from sale of cost method investments, net		10,365
Acquisitions, net of cash acquired	(17,224)	
Other investing activities	38	(98)
Net cash provided by (used in) investing activities	(27,022)	4,220
Cash flows from financing activities:		
Principal payments of long-term debt	(10,000)	
Proceeds from issuance of long-term debt	10,000	
Issuance of common stock	223	409
Other financing activities	(118)	(1,090)
Net cash provided by (used in) financing activities	105	(681)
Effect of foreign currency exchange rates on cash and cash equivalents	353	250
Net increase (decrease) in cash and cash equivalents	(26,974)	28,795
Cash and cash equivalents, beginning of period	36,508	22,883
Cash and cash equivalents, end of period	\$ 9,534	\$ 51,678

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

GREATBATCH, INC.

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY Unaudited

(in thousands)

Common Stock	Additional Paid-In	Treasury Stock	Retained	Accumulated Other Comprehensive	Total Stockholders
-------------------------	-------------------------------	---------------------------	-----------------	--	-------------------------------