

II-VI INC
Form 10-Q
February 09, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

- x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended December 31, 2008
- .. **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: 0-16195

II-VI INCORPORATED

(Exact name of registrant as specified in its charter)

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PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

25-1214948
(I.R.S. Employer
Identification No.)

375 Saxonburg Boulevard Saxonburg, PA
(Address of principal executive offices)

16056
(Zip Code)

Registrant's telephone number, including area code: 724-352-4455

N/A

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

At February 4, 2009, 29,517,071 shares of Common Stock, no par value, of the registrant were outstanding.

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II-VI Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)

(\$000)

	December 31, 2008	June 30, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 68,408	\$ 69,835
Marketable securities		3,000
Accounts receivable less allowance for doubtful accounts of \$962 at December 31, 2008 and \$1,170 at June 30, 2008	44,023	55,866
Inventories	80,064	69,642
Deferred income taxes	10,116	8,943
Prepaid and refundable income taxes	8,992	5,368
Prepaid and other current assets	5,313	5,386
Assets held-for-sale	9,008	8,229
Total Current Assets	225,924	226,269
Property, plant & equipment, net	88,108	86,331
Goodwill	26,287	26,531
Other intangible assets, net	12,459	13,268
Investments	9,476	3,665
Other assets	4,591	4,862
Total Assets	\$ 366,845	\$ 360,926
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 13,023	\$ 16,412
Accrued salaries and wages	6,242	5,962
Accrued bonuses	4,819	10,342
Accrued profit sharing contribution	1,546	3,393
Other accrued liabilities	8,494	8,439
Liabilities held-for-sale	1,804	1,977
Total Current Liabilities	35,928	46,525
Long-term debt	9,402	3,791
Deferred income taxes	4,089	5,210
Unrecognized tax benefits	2,547	8,842
Other liabilities	5,804	6,432
Total Liabilities	57,770	70,800
Commitments and Contingencies		
Shareholders' Equity		

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Preferred stock, no par value; authorized 5,000,000 shares; none issued			
Common stock, no par value; authorized 100,000,000 shares; issued 32,744,704 shares at December 31, 2008; 32,605,504 shares at June 30, 2008		87,021	81,585
Accumulated other comprehensive income		4,169	3,576
Retained earnings		246,179	220,325
		337,369	305,486
Treasury stock, at cost, 3,229,133 shares at December 31, 2008 and 2,727,910 shares at June 30, 2008		28,294	15,360
Total Shareholders Equity		309,075	290,126
Total Liabilities and Shareholders Equity		\$ 366,845	\$ 360,926

- See notes to condensed consolidated financial statements.

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II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Three Months Ended December 31,	
	2008	2007
Revenues		
Net sales:		
Domestic	\$ 39,009	\$ 35,783
International	33,298	32,794
	72,307	68,577
Contract research and development	1,971	3,757
Total Revenues	74,278	72,334
Costs, Expenses, Other Expense (Income)		
Cost of goods sold	41,299	39,084
Contract research and development	1,609	2,825
Internal research and development	3,116	1,672
Selling, general and administrative	14,199	14,192
Interest expense	57	70
Other expense (income), net	2,877	(1,035)
Gain on sale of equity investment, pre-tax		(26,455)
Total Costs, Expenses, and Other Expense (Income)	63,157	30,353
Earnings from Continuing Operations Before Income Taxes	11,121	41,981
Income Taxes	2,782	14,982
Earnings from Continuing Operations	8,339	26,999
Income (Loss) from Discontinued Operation, Net of Income Taxes	20	(239)
Net Earnings	\$ 8,359	\$ 26,760
Basic Earnings Per Share:		
Continuing operations	\$ 0.28	\$ 0.91
Discontinued operation	\$ 0.00	\$ (0.01)
Total	\$ 0.28	\$ 0.90
Diluted Earnings Per Share:		
Continuing operations	\$ 0.28	\$ 0.88
Discontinued operation	\$ 0.00	\$ (0.01)
Total	\$ 0.28	\$ 0.88

- See notes to condensed consolidated financial statements.

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II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Earnings (Unaudited)

(\$000 except per share data)

	Six Months Ended December 31,	
	2008	2007
Revenues		
Net sales:		
Domestic	\$ 81,170	\$ 73,040
International	76,092	63,462
	157,262	136,502
Contract research and development	4,782	6,924
Total Revenues	162,044	143,426
Costs, Expenses, Other Expense (Income)		
Cost of goods sold	89,472	79,061
Contract research and development	3,841	5,305
Internal research and development	6,307	3,396
Selling, general and administrative	30,747	27,976
Interest expense	82	194
Other expense (income), net	2,675	(1,900)
Gain on sale of equity investment, pre-tax		(26,455)
Total Costs, Expenses, and Other Expense (Income)	133,124	87,577
Earnings from Continuing Operations Before Income Taxes	28,920	55,849
Income Taxes	3,063	18,860
Earnings from Continuing Operations	25,857	36,989
Loss from Discontinued Operation, Net of Income Taxes	(3)	(607)
Net Earnings	\$ 25,854	\$ 36,382
Basic Earnings Per Share:		
Continuing operations	\$ 0.87	\$ 1.25
Discontinued operation	\$ (0.00)	\$ (0.02)
Total	\$ 0.87	\$ 1.23
Diluted Earnings Per Share:		
Continuing operations	\$ 0.85	\$ 1.21
Discontinued operation	\$ (0.00)	\$ (0.02)
Total	\$ 0.85	\$ 1.19

- See notes to condensed consolidated financial statements.

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II-VI Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

(\$000)

	Six Months Ended December 31,	
	2008	2007
Cash Flows from Operating Activities		
Net earnings	\$ 25,854	\$ 36,382
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Loss from discontinued operation, net of income taxes	3	607
Depreciation	7,061	7,363
Amortization	641	703
Share-based compensation expense	2,557	2,102
Gain on sale of equity investment		(26,455)
Loss (gain) on foreign currency remeasurements and transactions	3,428	(840)
Income from unconsolidated businesses	(960)	(646)
Deferred income taxes	(2,295)	(1,535)
Excess tax benefits from share-based compensation expense	(1,251)	(1,586)
Increase (decrease) in cash from changes in:		
Accounts receivable	9,144	6,649
Inventories	(10,828)	(2,553)
Accounts payable	(5,264)	(2,856)
Income taxes	(8,550)	11,276
Other operating net assets	(6,624)	(1,468)
Net cash provided by (used in):		
Continuing operations	12,916	27,143
Discontinued operation	(598)	(262)
Net cash provided by operating activities	12,318	26,881
Cash Flows from Investing Activities		
Redemption of marketable securities	3,000	
Proceeds from sale of equity investment		30,236
Dividend from equity investment		366
Proceeds from sale of property, plant and equipment	181	14
Additions to property, plant and equipment	(9,255)	(8,631)
Investment in unconsolidated business	(4,834)	&