

SUN HYDRAULICS CORP
Form 10-Q
August 07, 2008
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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 June 28, 2008

Commission file number 0-21835

SUN HYDRAULICS CORPORATION

(Exact Name of Registration as Specified in its Charter)

FLORIDA
(State or Other Jurisdiction of
Incorporation or Organization)

59-2754337
(I.R.S. Employer
Identification No.)

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1500 WEST UNIVERSITY PARKWAY

SARASOTA, FLORIDA
(Address of Principal Executive Offices)

34243
(Zip Code)

941/362-1200

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

The Registrant had 16,611,690 shares of common stock, par value \$.001, outstanding as of July 25, 2008.

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PART I: FINANCIAL INFORMATION

Item 1.

Sun Hydraulics Corporation**Consolidated Balance Sheets**

(in thousands, except share data)

	June 28, 2008 (unaudited)	December 29, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,962	\$ 19,191
Restricted cash	153	146
Accounts receivable, net of allowance for doubtful accounts of \$176 and \$215	22,302	17,029
Inventories	12,203	11,421
Deferred income taxes	301	301
Other current assets	1,125	1,210
Total current assets	64,046	49,298
Property, plant and equipment, net	60,346	56,999
Other assets	4,467	4,483
Total assets	\$ 128,859	\$ 110,780
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 7,069	\$ 5,668
Accrued expenses and other liabilities	4,796	4,857
Long-term debt due within one year	330	417
Dividends payable	1,495	1,484
Income taxes payable	2,338	674
Total current liabilities	16,028	13,100
Long-term debt due after one year	196	284
Deferred income taxes	5,106	5,108
Other noncurrent liabilities	563	406
Total liabilities	21,893	18,898
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 2,000,000 shares authorized, par value \$0.001, no shares outstanding		
Common stock, 20,000,000 shares authorized, par value \$0.001, 16,607,520 and 16,493,300 shares outstanding	17	16
Capital in excess of par value	37,340	34,390
Retained earnings	63,959	51,844
Accumulated other comprehensive income	5,650	5,632

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Total shareholders' equity	106,966	91,882
Total liabilities and shareholders' equity	\$ 128,859	\$ 110,780

The accompanying Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

Table of Contents**Sun Hydraulics Corporation****Consolidated Statements of Operations**

(in thousands, except per share data)

	Three months ended	
	June 28, 2008 (unaudited)	June 30, 2007 (unaudited)
Net sales	\$ 51,563	\$ 43,422
Cost of sales	32,488	29,125
Gross profit	19,075	14,297
Selling, engineering and administrative expenses	5,792	5,438
Operating income	13,283	8,859
Interest income, net	(155)	(89)
Foreign currency transaction loss, net	65	27
Miscellaneous (income)/expense, net	32	(124)
Income before income taxes	13,341	9,045
Income tax provision	4,433	3,093
Net income	\$ 8,908	\$ 5,952
Basic net income per common share	\$ 0.54	\$ 0.36
Weighted average basic shares outstanding	16,592	16,425
Diluted net income per common share	\$ 0.54	\$ 0.36
Weighted average diluted shares outstanding	16,623	16,494
Dividends declared per share	\$ 0.180	\$ 0.090

The accompanying Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

Table of Contents**Sun Hydraulics Corporation****Consolidated Statements of Operations**

(in thousands, except per share data)

	Six months ended	
	June 28, 2008 (unaudited)	June 30, 2007 (unaudited)
Net sales	\$ 100,571	\$ 84,275
Cost of sales	64,402	56,096
Gross profit	36,169	28,179
Selling, engineering and administrative expenses	11,746	10,653
Operating income	24,423	17,526
Interest income, net	(268)	(162)
Foreign currency transaction loss, net	101	1
Miscellaneous income, net	(218)	(206)
Income before income taxes	24,808	17,893
Income tax provision	8,208	6,135
Net income	\$ 16,600	\$ 11,758
Basic net income per common share	\$ 1.00	\$ 0.72
Weighted average basic shares outstanding	16,577	16,401
Diluted net income per common share	\$ 1.00	\$ 0.71
Weighted average diluted shares outstanding	16,610	16,478
Dividends declared per share	\$ 0.270	\$ 0.157

The accompanying Notes to the Consolidated, Unaudited Financial Statements are an integral part of these financial statements.

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Sun Hydraulics Corporation

Consolidated Statement of Changes in Shareholders' Equity and Comprehensive Income (unaudited)

(in thousands)

	Preferred shares	Preferred stock	Common shares	Common stock	Capital in excess of par value	Retained earnings	Accumulated other comprehensive income	Total
Balance, December 29, 2007		\$	16,493	\$ 16	\$ 34,390	\$ 51,844	\$ 5,632	\$ 91,882
Shares issued, stock options			16	1	84			85
Shares issued, ESPP			8		162			162
Shares issued, ESOP			89		2,255			2,255
Stock-based compensation			2		434			434
Stock option income tax benefit					15			15
Dividends declared						(4,485)		(4,485)
Comprehensive income:								
Net income						16,600		16,600
Foreign currency translation adjustments							18	18
Comprehensive income								16,618
Balance, June 28, 2008		\$	16,608	\$ 17	\$ 37,340	\$ 63,959	\$ 5,650	\$ 106,966

The accompanying Notes to the Consolidated, Unaudited Financial Statements are an integral part of this financial statement.

Table of Contents**Sun Hydraulics Corporation****Consolidated Statements of Cash Flows****(in thousands)**

	Six months ended	
	June 28, 2008	June 30, 2007
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net income	\$ 16,600	\$ 11,758
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,521	3,047
(Gain)/Loss on disposal of assets	115	(61)
Provision for deferred income taxes	(2)	84
Allowance for doubtful accounts	(39)	(38)
Stock-based compensation expense	434	331
Stock options income tax benefit	(15)	(286)
(Increase) decrease in:		
Accounts receivable	(5,234)	(3,831)
Inventories	(782)	(754)
Other current assets	85	(1,473)
Other assets	3	(205)
Increase in:		
Accounts payable	1,401	959
Accrued expenses and other liabilities	2,194	1,311
Taxes payable	1,679	1,207
Other noncurrent liabilities	157	401
Net cash provided by operating activities	20,117	12,450
Cash flows from investing activities:		
Capital expenditures	(6,862)	(6,885)
Proceeds from dispositions of equipment	99	76
Net cash used in investing activities	(6,763)	(6,809)
Cash flows from financing activities:		
Repayment of debt	(225)	(210)
Proceeds from exercise of stock options	84	