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HELIX TECHNOLOGY CORP
Form 10-Q
October 18, 2002

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For the Quarter Ended September 27, 2002.

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 0-6866

HELIX TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

04-2423640

(State of incorporation)

(IRS Employer Identification No.)

Mansfield Corporate Center
Nine Hampshire Street
Mansfield, Massachusetts

02048-9171

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (508) 337-5500

Indicate by checkmark 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 ninety days.

Yes No

The number of shares outstanding of the registrant's Common Stock, \$1 par
value, as of September 27, 2002 was 26,103,204.

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HELIX TECHNOLOGY CORPORATION

Form 10-Q

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HELIX TECHNOLOGY CORPORATION

CONSOLIDATED BALANCE SHEETS

| | Sept. 27, 2002 | Dec. 31, 2001 |
|--------------------------------------|-------------------|------------------|
| | (unaudited) | (audited) |
| (in thousands except per share data) | | |

ASSETS

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Current:

| | | |
|---------------------------------------|-----------|-----------|
| Cash and cash equivalents | \$ 51,891 | \$ 7,789 |
| Investments | 15,981 | 9,271 |
| Receivables - net of allowances | 17,845 | 11,997 |
| Inventories (Note 2) | 25,167 | 27,293 |
| Income tax receivable | 6,619 | 7,344 |
| Deferred income taxes (Note 3) | 5,707 | 5,707 |
| Other current assets | 2,860 | 2,577 |
| ----- | | |
| Total Current Assets | 126,070 | 71,978 |
| ----- | | |
| Property, plant and equipment at cost | 69,677 | 65,115 |
| Less: accumulated depreciation | (39,981) | (35,614) |
| ----- | | |
| Net property, plant and equipment | 29,696 | 29,501 |
| Other assets | 12,148 | 12,101 |
| ----- | | |
| TOTAL ASSETS | \$167,914 | \$113,580 |
| ===== | | |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current:

| | | |
|--|-----------|-----------|
| Accounts payable | \$ 12,120 | \$ 9,105 |
| Payroll and compensation | 496 | 986 |
| Retirement costs | 8,289 | 6,758 |
| Income taxes (Note 3) | 3,666 | 3,064 |
| Other accrued liabilities | 994 | 700 |
| ----- | | |
| Total Current Liabilities | 25,565 | 20,613 |
| ----- | | |
| Commitments and contingencies (Note 8) | | |
| Stockholders' Equity: | | |
| Preferred stock, \$1 par value; authorized 2,000,000 shares; issued and outstanding: none | - | - |
| Common stock, \$1 par value; authorized 60,000,000 shares; issued and outstanding: 26,103,204 in 2002 and 22,611,204 in 2001 | 26,103 | 22,611 |
| Capital in excess of par value | 76,344 | 13,878 |
| Treasury stock, \$1 par value (3,840 shares in 2002 and in 2001) | (232) | (232) |
| Retained earnings | 41,818 | 58,261 |
| Accumulated other comprehensive loss (Note 5) | (1,684) | (1,551) |
| ----- | | |
| Total Stockholders' Equity | 142,349 | 92,967 |
| ----- | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$167,914 | \$113,580 |
| ===== | | |

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

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(unaudited)

| (in thousands except per share data) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | Sept. 27, 2002 | Sept. 28, 2001 | Sept. 27, 2002 | Sept. 28, 2001 |
| Net sales | \$27,395 | \$20,445 | \$ 76,790 | \$ 95,690 |
| Costs and expenses: | | | | |
| Cost of sales | 19,279 | 14,444 | 54,473 | 61,446 |
| Research and development | 3,601 | 3,731 | 11,085 | 12,173 |
| Selling, general and administrative | 9,413 | 7,860 | 25,986 | 27,225 |
| Litigation settlement costs (Note 7) | - | - | 2,800 | - |
| Restructuring charge | - | 1,047 | - | 1,047 |
| | 32,293 | 27,082 | 94,344 | 101,891 |
| Operating loss | (4,898) | (6,637) | (17,554) | (6,201) |
| Joint venture income | 263 | 473 | 322 | 1,991 |
| Interest and other income | 270 | 117 | 635 | 748 |
| Loss before taxes | (4,365) | (6,047) | (16,597) | (3,462) |
| Income tax benefit (Note 3) | (2,166) | (1,965) | (6,141) | (1,125) |
| Net loss | \$ (2,199) | \$ (4,082) | \$ (10,456) | \$ (2,337) |
| Net loss per share (Note 4): | | | | |
| Basic | \$ (0.08) | \$ (0.18) | \$ (0.42) | \$ (0.10) |
| Diluted | \$ (0.08) | \$ (0.18) | \$ (0.42) | \$ (0.10) |
| Number of shares used in per share calculations (Note 4): | | | | |
| Basic | 26,099 | 22,599 | 25,105 | 22,551 |
| Diluted | 26,099 | 22,599 | 25,105 | 22,551 |

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

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HELIX TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Nine Months Ended

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| (in thousands) | Sept. 27, 2002 | Sept. 28, 2001 |
|---|-------------------|-------------------|
| ----- | | |
| Cash flows from operating activities: | | |
| Net loss | \$ (10,456) | \$ (2,337) |
| Adjustments to reconcile net loss to net cash (used by) provided by operating activities: | | |
| Depreciation and amortization | 4,699 | 3,732 |
| Other | (123) | (1,392) |
| Net change in operating assets and liabilities (A) | 1,673 | 7,619 |
| ----- | | |
| Net cash (used by) provided by operating activities | (4,207) | 7,622 |
| ----- | | |
| Cash flows used in investing activities: | | |
| Capital expenditures | (4,894) | (13,637) |
| Purchase of investments | (45,657) | (34,665) |
| Sale of investments | 38,890 | 37,224 |
| ----- | | |
| Net cash used in investing activities | (11,661) | (11,078) |
| ----- | | |
| Cash flows provided by (used by) financing activities: | | |
| Net proceeds from stock offering | 65,246 | - |
| Net cash provided by employee stock plans | 711 | 1,518 |
| Cash dividends paid | (5,987) | (8,114) |
| ----- | | |
| Net cash provided by (used by) financing activities | 59,970 | (6,596) |
| ----- | | |
| Increase (decrease) in cash and cash equivalents | 44,102 | (10,052) |
| Cash and cash equivalents, at the beginning of the period | 7,789 | 15,435 |
| ----- | | |
| Cash and cash equivalents, at the end of the period | \$ 51,891 | \$ 5,383 |
| ===== | | |
| (A) Change in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | \$ (5,848) | \$ 24,701 |
| Decrease in inventories | 2,126 | 2,299 |
| Decrease (increase) in income tax receivable | 725 | (4,608) |
| Increase in other current assets | (283) | (262) |
| Increase (decrease) in accounts payable | 3,015 | (10,993) |
| Increase (decrease) in other accrued expenses | 1,938 | (3,518) |
| ----- | | |
| Net change in operating assets and liabilities | \$ 1,673 | \$ 7,619 |
| ===== | | |

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

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The accompanying consolidated financial statements for the periods ended September 27, 2002, and September 28, 2001, contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of September 27, 2002, and December 31, 2001, and the results of operations and cash flows for the periods ended September 27, 2002, and September 28, 2001.

The results of operations for the nine-month period ended September 27, 2002, are not necessarily indicative of the results expected for the full year.

The consolidated financial statements included herein have been prepared by the Company, without audit of the three- and nine-month periods ended September 27, 2002, and September 28, 2001, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to present fairly the Company's financial position and results of operations. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

Note 2 - Inventories

| (in thousands) | Sept. 27, 2002 | Dec. 31, 2001 |
|---------------------|----------------|---------------|
| Finished goods | \$ 10,071 | \$ 8,570 |
| Work in process | 11,417 | 13,067 |
| Materials and parts | 3,679 | 5,656 |
| | ----- | ----- |
| | \$ 25,167 | \$ 27,293 |
| | ===== | ===== |

Inventories are stated at the lower of cost or market on a first-in, first-out basis.

Note 3 - Income Taxes

The net federal, state and foreign income tax benefit for the three- and nine-month periods ended September 27, 2002, were \$2,166,000 and \$6,141,000, respectively. The effective income tax rates for the three- and nine-month periods ended September 27, 2002, were 50.0% and 37.0%, respectively. The effective tax rate for the three months ended September 27, 2002, includes the cumulative effect of the adjustment from the 32.5% rate utilized during the six months of fiscal 2002 to the estimated annual effective rate of 37.0%, based on current full year operating projections. Tax credits are treated as reductions of income tax provisions in the year in which the credits are realized. The Company does not provide for federal income taxes on the undistributed earnings of its wholly owned foreign subsidiaries, since these earnings are indefinitely reinvested.

The income tax benefit for the three- and nine-month periods ended September 28, 2001, were \$1,965,000 and \$1,125,000, respectively, yielding effective tax rates of 32.5%.

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The major components of deferred tax assets are compensation and benefit plans, inventory valuation and depreciation. The Company expects that the future taxable income will be sufficient for the realization of the deferred tax assets. The Company believes that a valuation allowance is not required.

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HELIX TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Net Loss Per Share

Basic net loss per common share is based on the weighted average number of common shares outstanding during the period. Diluted net loss per common share reflects the potential dilution that could occur if outstanding stock options were exercised.

The following table sets forth the computation of basic and diluted net loss per common share:

| (in thousands except per share data) | Three Months Ended | | Nine Months Ended | |
|--------------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Sept. 27, 2002 | Sept. 28, 2001 | Sept. 27, 2002 | Sept. 28, 2001 |
| Net loss | <u>\$ (2,199)</u> | <u>\$ (4,082)</u> | <u>\$ (10,456)</u> | <u>\$ (2,337)</u> |
| Basic shares | 26,099 | 22,599 | 25,105 | 22,551 |
| Add: Common equivalent shares | | | | |