

GSI GROUP INC
Form 10-Q
November 10, 2011
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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 September 30, 2011

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 No. 001-35083

GSI Group Inc.

(Exact name of registrant as specified in its charter)

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New Brunswick, Canada
(State or other jurisdiction of
incorporation or organization)
125 Middlesex Turnpike
Bedford, Massachusetts, USA
(Address of principal executive offices)

98-0110412
(I.R.S. Employer
Identification No.)
01730
(Zip Code)

(781) 266-5700
(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 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 (Section 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 (Do not check if a smaller reporting company) 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 by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of October 31, 2011, there were 33,367,264 of the Registrant's common shares, no par value, issued and outstanding.

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GSI GROUP INC.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GSI GROUP INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share data)****(Unaudited)**

	September 30, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,655	\$ 56,781
Accounts receivable, net of allowance of \$678 and \$696, respectively	56,545	55,110
Income taxes receivable	21,975	21,920
Inventories	70,917	66,721
Deferred tax assets	4,242	4,226
Deferred cost of goods sold	1,703	7,789
Prepaid expenses and other current assets	5,657	5,580
Total current assets	211,694	218,127
Property, plant and equipment, net of accumulated depreciation of \$59,924 and \$55,336, respectively	42,489	45,402
Deferred tax assets	1,474	1,445
Other assets	5,624	4,476
Intangible assets, net	47,396	53,139
Goodwill	44,578	44,578
Total Assets	\$ 353,255	\$ 367,167
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 22,003	\$ 19,766
Income taxes payable	2,819	1,785
Accrued compensation and benefits	9,085	7,988
Deferred revenue	4,126	15,006
Other accrued expenses	13,953	14,717
Total current liabilities	51,986	59,262
Debt	73,107	107,575
Deferred revenue	227	402
Deferred tax liabilities	8,477	8,373
Accrued restructuring, net of current portion	234	769
Income taxes payable	7,679	6,644
Accrued pension liability	2,467	3,044
Other liabilities	1,154	2,420
Total liabilities	145,331	188,489
Commitments and contingencies (Note 12)		

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Stockholders' Equity		
Common shares, no par value; Authorized shares: unlimited; Issued and outstanding: 33,367,264 and 33,342,169 respectively	423,856	423,856
Additional paid-in capital	17,173	14,655
Accumulated deficit	(231,615)	(256,733)
Accumulated other comprehensive loss	(1,854)	(3,429)
Total GSI Group Inc. stockholders' equity	207,560	178,349
Noncontrolling interest	364	329
Total stockholders' equity	207,924	178,678
Total Liabilities and Stockholders' Equity	\$ 353,255	\$ 367,167

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

Table of Contents**GSI GROUP INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands of U.S. dollars or shares, except per share amounts)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Sales	\$ 93,257	\$ 91,545	\$ 286,485	\$ 291,897
Cost of goods sold	52,349	50,601	160,690	163,859
Gross profit	40,908	40,944	125,795	128,038
Operating expenses:				
Research and development and engineering	8,013	7,260	24,130	22,024
Selling, general and administrative	19,411	20,650	59,933	55,795
Amortization of purchased intangible assets	874	1,108	2,853	3,362
Restructuring, restatement related costs and other	14	336	136	2,015
Post-emergence professional fees	63	481	296	481
Total operating expenses	28,375	29,835	87,348	83,677
Income from operations	12,533	11,109	38,447	44,361
Interest income	30	20	69	70
Interest expense	(3,283)	(4,424)	(10,367)	(15,979)
Foreign exchange transaction gains (losses), net	571	(449)	(244)	(186)
Other income (expense), net	(128)	410	1,260	2,096
Income from operations before reorganization items and income taxes	9,723	6,666	29,165	30,362
Reorganization items		(5,909)		(26,156)
Income from operations before income taxes	9,723	757	29,165	4,206
Income tax provision	907	665	4,012	3,128
Consolidated net income	8,816	92	25,153	1,078
Net (income) loss attributable to noncontrolling interest	29	29	(35)	(23)
Net income attributable to GSI Group Inc.	\$ 8,845	\$ 121	\$ 25,118	\$ 1,055
Net income attributable to GSI Group Inc. per common share:				
Basic	\$ 0.26	\$ 0.00	\$ 0.75	\$ 0.05
Diluted	\$ 0.26	\$ 0.00	\$ 0.75	\$ 0.05
Weighted average common shares outstanding basic	33,489	29,551	33,472	20,473
Weighted average common shares outstanding diluted	33,588	29,565	33,572	20,492

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

(Unaudited)

	Nine Months Ended	
	September 30,	October 1,
	2011	2010
Cash flows from operating activities:		
Consolidated net income	\$ 25,153	\$ 1,078
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	11,463	11,661
Provision (recoveries) for uncollectible receivables	102	(431)
Provision for inventory	5,521	4,894