

HELIX TECHNOLOGY CORP
Form 10-Q
October 20, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2003,

or

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

For the transitional period from _____ to _____

Commission file number: 0-6866

HELIX TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

04-2423640

(I.R.S. Employer Identification No.)

Mansfield Corporate Center

Nine Hampshire Street

Mansfield, Massachusetts

(Address of principal executive offices)

02048-9171

(Zip Code)

(508) 337-5500

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's Common Stock, \$1 par value, as of September 26, 2003, was 26,103,204.

HELIX TECHNOLOGY CORPORATION

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HELIX TECHNOLOGY CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands except per share data)	September 26, 2003 (unaudited)	December 31, 2002 (audited)
ASSETS		
Current:		
Cash and cash equivalents	\$ 12,005	\$ 26,752
Investments	54,310	36,567
Receivables - net of allowances	18,445	15,036
Inventories	21,791	23,946
Income tax receivable	-	10,246
Deferred income taxes	-	8,708
Other current assets	1,562	1,833
Total Current Assets	<u>108,113</u>	<u>123,088</u>
Property, plant and equipment at cost	65,436	64,900
Less: accumulated depreciation	<u>(43,695)</u>	<u>(40,655)</u>
Net property, plant and equipment	21,741	24,245
Other assets	<u>12,350</u>	<u>12,138</u>
TOTAL ASSETS	<u><u>\$ 142,204</u></u>	<u><u>\$ 159,471</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current:

Accounts payable	\$	7,439	\$	8,759
Payroll and compensation		849		1,020
Accrued restructuring costs		1,293		4,344
Retirement costs		9,403		8,928
Income taxes		3,639		3,692
Other accrued liabilities		1,424		486
Total Current Liabilities		<u>24,047</u>		<u>27,229</u>
Commitments and contingencies				
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 2003 and 2002		26,103		26,103
Capital in excess of par value		76,405		76,405
Treasury stock, \$1 par value (3,840 shares in 2003 and 2002)		(232)		(232)
Retained earnings		16,751		31,812
Accumulated other comprehensive loss		(870)		(1,846)
Total Stockholders' Equity		<u>118,157</u>		<u>132,242</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u>142,204</u>	\$	<u>159,471</u>

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

HELIX TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands except per share data)	Three Months Ended		Nine Months Ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Net sales	\$ 25,973	\$ 27,395	\$ 74,151	\$ 76,790

Costs and expenses:

Cost of sales	17,133	19,279	49,966	54,473
Research and development	2,333	3,601	7,563	11,085
Selling, general and administrative	7,577	9,413	22,942	25,986
Litigation settlement costs	-	-	-	2,800
	<u>27,043</u>	<u>32,293</u>	<u>80,471</u>	<u>94,344</u>
Operating loss	(1,070)	(4,898)	(6,320)	(17,554)
Joint venture income	161	263	760	322
Interest and other income	229	270	696	635
	<u>(680)</u>	<u>(4,365)</u>	<u>(4,864)</u>	<u>(16,597)</u>
Loss before taxes	(680)	(4,365)	(4,864)	(16,597)
Income tax provision (benefit)	8,424	(2,166)	7,065	(6,141)
	<u>(9,104)</u>	<u>(2,199)</u>	<u>(11,929)</u>	<u>(10,456)</u>
Net loss	\$ (9,104)	\$ (2,199)	\$ (11,929)	\$ (10,456)
Net loss per share:				
Basic	\$ (0.35)	\$ (0.08)	\$ (0.46)	\$ (0.42)
	<u>(0.35)</u>	<u>(0.08)</u>	<u>(0.46)</u>	<u>(0.42)</u>
Diluted	\$ (0.35)	\$ (0.08)	\$ (0.46)	\$ (0.42)
	<u>(0.35)</u>	<u>(0.08)</u>	<u>(0.46)</u>	<u>(0.42)</u>

Number of shares used in per share

calculations:

Basic	26,099	26,099	26,099	25,105
Diluted	26,099	26,099	26,099	25,105

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

HELIX TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)	Nine Months Ended	
	September 26, 2003	September 27, 2002

Cash flows from operating activities:

Net loss	\$ (11,929)	\$ (10,456)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,542	4,699
Deferred income taxes	8,708	-
Other	754	(123)
Change in operating assets and liabilities:		
Receivables - net of allowances	(3,409)	(5,848)
Inventories	2,155	2,126
Income tax receivables	10,246	725
Other current assets	271	(283)
Accounts payable	(1,320)	3,015
Accrued restructuring costs	(3,051)	-
Other accrued expenses	1,189	1,938
Net cash provided by (used in) operating activities	<u>8,156</u>	<u>(4,207)</u>
Cash flows from investing activities:		
Capital expenditures	(2,074)	(4,894)
Purchase of investments	(65,972)	(45,657)
Sale of investments	48,275	38,890
Net cash used in investing activities	<u>(19,771)</u>	<u>(11,661)</u>
Cash flows from financing activities:		
Net proceeds from stock offering	-	65,246
Net cash provided by employee stock plans	-	711
Cash dividends paid	(3,132)	(5,987)
Net cash (used in) provided by financing activities	<u>(3,132)</u>	<u>59,970</u>
(Decrease) increase in cash and cash equivalents	(14,747)	44,102
Cash and cash equivalents, at the beginning of the period	<u>26,752</u>	<u>7,789</u>
Cash and cash equivalents, at the end of the period	<u>\$ 12,005</u>	<u>\$ 51,891</u>

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

*(unaudited)*Note 1 - Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated balance sheets, statements of operations and cash flows contain all adjustments necessary to present fairly the financial position of Helix Technology Corporation and its wholly owned subsidiaries (the "Company") at September 26, 2003, and December 31, 2002, and the results of the Company's operations and cash flows for the three and nine-month periods ended September 26, 2003, and September 27, 2002.

The consolidated financial statements included herein have been prepared by the Company, without audit of the three- and nine-month periods ended September 26, 2003, and September 27, 2002, 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 accounting principles generally accepted in the United States of America 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.

The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, adequacy of reserves, valuation of investments and income taxes. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

Note 2 - Inventories

(in thousands)	September 26, 2003	December 31, 2002
Finished goods	\$ 6,771	\$ 8,383
Work in process	11,721	12,185
Materials and parts	3,299	3,378
	\$ 21,791	\$ 23,946

Inventories are stated at the lower of cost or market on a first-in, first-out basis. Cost includes material, labor and applicable manufacturing overhead costs. Based upon management's assumptions of future material usage and obsolescence, which are a result of future demand and market conditions, the Company regularly reviews inventory quantities on hand and records a provision to write down excess and obsolete inventory to its estimated net realizable value, if less than cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 3 - Income Taxes

For the nine-month period ended September 26, 2003, the Company recorded a tax provision of \$7,065,000, primarily due to the establishment of a full valuation allowance against net deferred tax assets and recording state and foreign income tax for the period. As a result of the Company's review performed at September 26, 2003, the Company, under SFAS 109, "Accounting for Income Taxes," is required to establish this allowance.

If the Company generates future taxable income domestically against which these tax attributes may be applied, some portion or all of the valuation allowance would be reversed and increase net income reported in future periods.

The effective income tax rate for the nine-month period ended September 27, 2002, was 37%. 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.

Note 4 - Other Accrued Liabilities

The Company adopted Financial Accounting Standards Board Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Indebtedness of Others" (FIN 45) during the first quarter of 2003. FIN 45 requires disclosures concerning the Company's obligations under certain guarantees.

The Company's products and services are generally sold with warranty coverage for periods ranging from 12 to 18 months after shipment. Parts and labor are covered under the terms of the warranty agreement. The warranty provision is based on historical experience by product family.

Changes in the warranty reserves during the first nine months of 2003 were as follows:

(in thousands)

Balance at December 31, 2002

\$