

NEWPORT CORP  
Form 10-Q  
November 10, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 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 October 1, 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 Number: 000-01649

**NEWPORT CORPORATION**

*(Exact name of registrant as specified in its charter)*

**Nevada**  
*(State or other jurisdiction of  
incorporation or organization)*

**94-0849175**  
*(IRS Employer Identification No.)*

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1791 Deere Avenue, Irvine, California 92606

*(Address of principal executive offices) (Zip Code)*

**(949) 863-3144**

*(Registrant's telephone number, including area code)*

**Not Applicable**

*(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 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 (§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 definitions 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  (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

As of October 28, 2011, 37,589,128 shares of the registrant's sole class of common stock were outstanding.

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****NEWPORT CORPORATION****Consolidated Statements of Income****(In thousands, except per share data)****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 1, 2011</b>	<b>October 2, 2010</b>	<b>October 1, 2011</b>	<b>October 2, 2010</b>
Net sales	\$ 125,598	\$ 125,187	\$ 384,141	\$ 346,937
Cost of sales	69,815	71,452	210,810	200,471
Gross profit	55,783	53,735	173,331	146,466
Selling, general and administrative expenses	30,417	28,030	93,629	83,247
Research and development expense	11,152	9,894	31,785	28,755
Operating income	14,214	15,811	47,917	34,464
Foreign currency translation gain (loss) from sale and dissolution of subsidiaries		(554)	7,198	(554)
Interest and other expense, net	(2,348)	(2,414)	(6,377)	(6,256)
Income before income taxes	11,866	12,843	48,738	27,654
Income tax provision	1,364	239	3,555	1,717
Net income	\$ 10,502	\$ 12,604	\$ 45,183	\$ 25,937
Net income per share:				
Basic	\$ 0.28	\$ 0.34	\$ 1.21	\$ 0.71
Diluted	\$ 0.27	\$ 0.34	\$ 1.17	\$ 0.69
Shares used in per share calculations:				
Basic	37,543	36,722	37,342	36,594
Diluted	38,571	37,579	38,732	37,529

See accompanying notes.

**Table of Contents****NEWPORT CORPORATION****Consolidated Balance Sheets****(In thousands, except share and per share data)****(Unaudited)**

	<b>October 1, 2011</b>	<b>January 1, 2011</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 209,362	\$ 90,992
Marketable securities	7,741	109,192
Accounts receivable, net of allowance for doubtful accounts of \$2,657 and \$2,587 as of October 1, 2011 and January 1, 2011, respectively	77,035	84,238
Notes receivable	1,606	3,313
Inventories	97,447	84,508
Deferred income taxes	9,795	9,424
Prepaid expenses and other current assets	12,214	10,362
<b>Total current assets</b>	<b>415,200</b>	<b>392,029</b>
Property and equipment, net	46,558	46,160
Goodwill	75,749	69,322
Deferred income taxes	2,139	3,493
Intangible assets, net	33,250	24,990
Other assets	24,388	20,396
	<b>\$ 597,284</b>	<b>\$ 556,390</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Short-term borrowings, net	\$ 133,937	\$ 12,468
Accounts payable	23,966	31,691
Accrued payroll and related expenses	25,292	30,804
Accrued expenses and other current liabilities	34,192	28,416
<b>Total current liabilities</b>	<b>217,387</b>	<b>103,379</b>
Long-term debt, net	6,923	122,042
Obligations under capital leases, less current portion	848	979
Accrued pension liabilities	14,142	13,279
Deferred income taxes and other liabilities	21,618	21,252
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.1167 per share, 200,000,000 shares authorized; 37,572,421 and 36,909,317 shares issued and outstanding as of October 1, 2011 and January 1, 2011, respectively	4,385	4,307
Capital in excess of par value	419,789	415,757
Accumulated other comprehensive income (loss)	(4,350)	4,036
Accumulated deficit	(83,458)	(128,641)
<b>Total stockholders' equity</b>	<b>336,366</b>	<b>295,459</b>
	<b>\$ 597,284</b>	<b>\$ 556,390</b>

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See accompanying notes.

**Table of Contents****NEWPORT CORPORATION****Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>October 1, 2011</b>	<b>October 2, 2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 45,183	\$ 25,937
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,649	13,796
Amortization of discount on convertible subordinated notes	3,135	3,031
Recovery of amounts related to previously discontinued operations	(619)	
Foreign currency gain	(7,198)	
Provision for losses on inventories	4,461	5,266
Stock-based compensation expense	4,679	3,326
Provision for doubtful accounts	322	659
Loss on sale of assets		809
Loss on disposal of property and equipment	95	96
Deferred income taxes	271	
Increase (decrease) in cash, net of acquisition, due to changes in:		
Accounts and notes receivable	10,783	(13,286)
Inventories	(12,918)	(12,242)
Prepaid expenses and other assets	(259)	821
Accounts payable	(9,800)	4,294
Accrued payroll and related expenses	(6,185)	3,182
Accrued expenses and other liabilities	3,201	(1,653)
Other long-term liabilities	93	(1,443)
Net cash provided by operating activities	48,893	32,593
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(7,628)	(6,452)
Business acquisition, net of cash acquired	(12,516)	
Proceeds from the sale of business		4,003
Recovery of amounts related to previously discontinued operations	619	
Purchase of marketable securities	(101,773)	(96,566)
Proceeds from the sale of marketable securities	203,744	75,697
Net cash provided by (used in) investing activities	82,446	(23,318)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	2,963	
Repayment of long-term debt and obligations under capital leases	(131)	(119)
Proceeds from short-term borrowings	16,859	8,053
Repayment of short-term borrowings	(31,715)	(10,667)
Proceeds from the issuance of common stock under employee plans	2,866	664
Tax withholding payments related to net share settlement of equity awards	(3,435)	(1,343)
Net cash used in financing activities	(12,593)	(3,412)
Impact of foreign exchange rate changes on cash balances	(376)	(1,741)

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Net increase in cash and cash equivalents	118,370	4,122
Cash and cash equivalents at beginning of period	90,992	87,727
Cash and cash equivalents at end of period	\$ 209,362	\$ 91,849

Supplemental disclosures of cash flow information: