

CYBEROPTICS CORP
Form 10-Q
November 06, 2008

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q



(Check One)

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

For the quarterly period ended September 30, 2008

**TRANSITION PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT**

For the transition period from _____ to _____

COMMISSION FILE NO. (0-16577)

CYBEROPTICS CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota

41-1472057

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(State or other jurisdiction of incorporation or organization)

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

5900 Golden Hills Drive
MINNEAPOLIS, MINNESOTA
(Address of principal executive offices)

55416
(Zip Code)

(763) 542-5000

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer" or "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. At November 5, 2008, there were 6,744,423 shares of the registrant's Common Stock, no par value, issued and outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS CYBEROPTICS CORPORATION (Unaudited)

(In thousands except share information)	September 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents	\$ 4,277	\$ 18,864
Marketable securities	9,759	11,953
Accounts receivable, net	10,369	9,781
Inventories	9,990	10,640
Other current assets	1,672	1,466
Deferred tax assets	2,575	2,575

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Total current assets		38,642		55,279
Marketable securities		15,192		21,801
Equipment and leasehold improvements, net		2,694		1,944
Intangible and other assets, net		1,001		1,069
Goodwill		4,979		5,207
Other assets		190		
Deferred tax assets		1,739		1,739
Total assets		\$ 64,437	\$	87,039

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable		\$ 2,686	\$	3,209
Advance customer payments		640		794
Accrued expenses		2,912		3,337
Total current liabilities		6,238		7,340
Other liabilities		1,362		1,583
Total liabilities		7,600		8,923

Commitments and contingencies

Stockholders' equity:

Preferred stock, no par value, 5,000,000 shares authorized, none outstanding				
Common stock, no par value, 37,500,000 shares authorized, 6,744,423 shares issued and outstanding at September 30, 2008 and 8,793,059 at December 31, 2007		28,959		49,303
Accumulated other comprehensive loss		(432)		(112)
Retained earnings		28,310		28,925
Total stockholders' equity		56,837		78,116

Total liabilities and stockholders' equity		\$ 64,437	\$	87,039
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SEE THE ACCOMPANYING NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
CYBEROPTICS CORPORATION
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	\$ 11,570	\$ 16,173	\$ 38,768	\$ 43,888
Cost of revenues	6,578	7,910	21,415	21,399
Gross margin	4,992	8,263	17,353	22,489
Research and development expenses	2,830	2,524	8,002	7,057
Selling, general and administrative expenses	3,734	3,888	11,029	11,042
Singapore severance and recruitment expenses	98		476	
Amortization of intangibles	46	45	136	136
Income (loss) from operations	(1,716)	1,806	(2,290)	4,254
Interest income and other	276	587	1,039	1,705
Income (loss) before income taxes	(1,440)	2,393	(1,251)	5,959
Income tax provision (benefit)	(668)	920	(637)	2,135
Net income (loss)	\$ (772)	\$ 1,473	\$ (614)	\$ 3,824
Net income (loss) per share Basic	\$ (0.11)	\$ 0.17	\$ (0.08)	\$ 0.43
Net income (loss) per share Diluted	\$ (0.11)	\$ 0.16	\$ (0.08)	\$ 0.43
Weighted average shares outstanding Basic	7,208	8,924	8,022	8,901
Weighted average shares outstanding Diluted	7,208	8,991	8,022	8,984

SEE THE ACCOMPANYING NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
CYBEROPTICS CORPORATION
(Unaudited)

Nine Months Ended September 30,

(In thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (614)	\$ 3,824
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,654	1,389
Provision for doubtful accounts	(34)	63
Provision for inventory obsolescence	289	293
Foreign currency transaction (gains) losses	176	(54)
Stock compensation costs	367	554
Unrealized loss on available for sale equity security	166	
Realized gains on available for sale marketable securities	(39)	
Changes in operating assets and liabilities:		
Accounts receivable	(554)	(3,010)
Inventories	(150)	(3,442)
Other assets	(266)	(84)
Accounts payable	(527)	694
Advance customer payments	(154)	878
Accrued expenses	(660)	(128)
Net cash (used) provided by operating activities	(346)	977
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of available for sale marketable securities	11,558	15,430
Proceeds from sales of available for sale marketable securities	6,860	
Purchases of available for sale marketable securities	(10,086)	(25,971)
Additions to equipment and leasehold improvements	(1,568)	(845)
Additions to patents	(269)	(200)
Net cash provided (used) by investing activities	6,495	(11,586)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	12	630
Excess tax benefit from exercise of stock options	2	28
Proceeds from issuance of common stock under employee stock purchase plan	227	306
Repurchase of common stock	(20,949)	(163)
Net cash (used) provided by financing activities	(20,708)	801
Effects of exchange rate changes on cash and cash equivalents	(28)	(25)
Net decrease in cash and cash equivalents	(14,587)	(9,833)
Cash and cash equivalents beginning of period	18,864	30,056
Cash and cash equivalents end of period	\$ 4,277	\$ 20,223

SEE THE ACCOMPANYING NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CYBEROPTICS CORPORATION**

1. INTERIM REPORTING:

The interim condensed consolidated financial statements presented herein as of September 30, 2008, and for the three and nine month periods ended September 30, 2008 and 2007, are unaudited, but in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented.

The results of operations for the three and nine month periods ended September 30, 2008 do not necessarily indicate the results to be expected for the full year. The December 31, 2007 consolidated balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. These unaudited interim condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto, contained in our Annual Report on Form 10-K for the year ended December 31, 2007.

2. ACCOUNTING FOR STOCK-BASED COMPENSATION:

Effective January 1, 2006, we adopted SFAS No. 123(R), Share-Based Payment, applying the modified prospective method. This statement requires all equity-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statement of operations based on the grant date fair value of the award. Under the modified prospective method, we are required to record equity-based compensation expense for all awards granted after the date of adoption, and for all unvested shares granted prior to the date of adoption. We utilize the straight-line method of expense recognition over the award's service period for our graded vesting options. The fair value of stock options, granted before and after adoption of SFAS No. 123(R), has been determined using the Black-Scholes model. The compensation expense recognized for all equity based awards is net of estimated forfeitures, which were based on historical data. We have classified equity based compensation within our statement of operations in the same manner as our cash based employee compensation costs. No stock options were granted in the nine months ended September 30, 2008. We did issue 3,000 shares of common stock to our non-employee directors in connection with our annual meeting in May 2008. The shares were valued at their fair market value on the date of grant, and corresponding general and administrative expense of \$27,000 was recorded in the second quarter and is reflected in our results of operations for the nine months ended September 30, 2008.

The following tables set forth compensation expense (pre-tax) by segment for our equity-based awards for the three and nine months ended September 30, 2008 and 2007:

Three Months Ended September 30,

(In thousands)	Electronic Assembly		Semi- Conductor		Total	
	2008	2007	2008	2007	2008	2007
	Cost of revenues	\$ 21	\$ 27	\$ 3	\$ 3	\$ 24
Research and development expenses	20	32	7	7	27	39
Selling, general and administrative expenses	56	60	5	6	61	66
Total	\$ 97	\$ 119	\$ 15	\$ 16	\$ 112	\$ 135

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