

CYBEROPTICS CORP
Form 10-Q
November 09, 2011

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, 2011

**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

(State or other jurisdiction of
incorporation or organization)

41-1472057

(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

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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 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 October 31, 2011, there were 6,922,853 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, 2011 | December 31, 2010 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 11,046 | \$ 8,427 |
| Marketable securities | 10,406 | 6,384 |
| Accounts receivable, less allowance for doubtful accounts of \$930 at September 30, 2011 and \$1,005 at December 31, 2010 | 13,736 | 11,296 |
| Inventories | 12,020 | 14,215 |
| Income tax refunds receivable | 3 | 380 |
| Other current assets | 1,531 | 1,232 |
| Deferred tax assets | 2,437 | 2,317 |
| Total current assets | 51,179 | 44,251 |
| Marketable securities | 5,115 | 7,289 |
| Equipment and leasehold improvements, net | 1,467 | 1,896 |
| Intangible and other assets, net | 236 | 435 |
| Goodwill | 569 | 569 |
| Other assets | 137 | 173 |
| Deferred tax assets | 3,366 | 3,621 |
| Total assets | \$ 62,069 | \$ 58,234 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Accounts payable | \$ 4,029 | \$ 5,206 |
| Advance customer payments | 984 | 1,152 |
| Accrued expenses | 4,048 | 2,873 |
| Total current liabilities | 9,061 | 9,231 |
| Other liabilities | 767 | 686 |
| Total liabilities | 9,828 | 9,917 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, no par value, 5,000,000 shares authorized, none outstanding | | |
| Common stock, no par value, 25,000,000 shares authorized, 6,922,853 shares issued and outstanding at September 30, 2011 and 6,891,262 shares issued and outstanding at December 31, 2010. | 30,887 | 30,330 |
| Accumulated other comprehensive loss | (1,029) | (586) |
| Retained earnings | 22,383 | 18,573 |
| Total stockholders' equity | 52,241 | 48,317 |
| Total liabilities and stockholders' equity | \$ 62,069 | \$ 58,234 |

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, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 17,088 | \$ 14,145 | \$ 47,297 | \$ 42,985 |
| Cost of revenues | 9,621 | 7,482 | 25,716 | 24,410 |
| Gross margin | 7,467 | 6,663 | 21,581 | 18,575 |
| Research and development expenses | 1,838 | 1,914 | 5,603 | 5,398 |
| Selling, general and administrative expenses | 3,542 | 3,530 | 10,870 | 10,421 |
| Amortization of intangibles | 18 | 45 | 108 | 136 |
| Income from operations | 2,069 | 1,174 | 5,000 | 2,620 |
| Interest income and other | 18 | 61 | 97 | 151 |
| Income before income taxes | 2,087 | 1,235 | 5,097 | 2,771 |
| Income tax provision | 521 | 287 | 1,287 | 607 |
| Net income | \$ 1,566 | \$ 948 | \$ 3,810 | \$ 2,164 |
| Net income per share Basic | \$ 0.23 | \$ 0.14 | \$ 0.55 | \$ 0.32 |
| Net income per share Diluted | \$ 0.22 | \$ 0.14 | \$ 0.55 | \$ 0.31 |
| Weighted average shares outstanding Basic | 6,914 | 6,871 | 6,900 | 6,853 |
| Weighted average shares outstanding Diluted | 6,962 | 6,919 | 6,948 | 6,901 |

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
CYBEROPTICS CORPORATION
(Unaudited)

| (In thousands) | Nine Months Ended September 30, | |
|---|---------------------------------|----------|
| | 2011 | 2010 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 3,810 | \$ 2,164 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,586 | 1,651 |
| Provision for doubtful accounts | (72) | 24 |
| Deferred taxes | 457 | 99 |
| Foreign currency transaction gains | (68) | (35) |
| Stock compensation costs | 343 | 288 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,365) | (4,628) |
| Inventories | 1,928 | (7,193) |
| Income tax refunds receivable | 214 | 2,499 |
| Other current assets | 4 | (282) |
| Accounts payable | (1,149) | 3,248 |
| Advance customer payments | (168) | 193 |
| Accrued expenses | 536 | 1,058 |
| Net cash provided by (used in) operating activities | 5,056 | (914) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturities of available for sale marketable securities | 7,571 | 12,989 |
| Proceeds from sales of available for sale marketable securities | 2,800 | 3,241 |
| Purchases of available for sale marketable securities | (12,334) | (11,505) |
| Additions to equipment and leasehold improvements | (536) | (996) |
| Additions to patents | (66) | (134) |
| Net cash provided by (used in) investing activities | (2,565) | 3,595 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from exercise of stock options | 12 | 36 |
| Proceeds from issuance of common stock under employee stock purchase plan | 201 | 175 |
| Net cash provided by financing activities | 213 | 211 |
| Effects of exchange rate changes on cash and cash equivalents | (85) | 1 |
| Net increase in cash and cash equivalents | 2,619 | 2,893 |
| Cash and cash equivalents beginning of period | 8,427 | 4,177 |
| Cash and cash equivalents end of period | \$ 11,046 | \$ 7,070 |

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

**NOTES TO THE (UNAUDITED) INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CYBEROPTICS CORPORATION**

1. INTERIM REPORTING:

The interim condensed consolidated financial statements presented herein as of September 30, 2011, and for the three and nine month periods ended September 30, 2011 and 2010, are unaudited, but in the opinion of management, include all adjustments, consisting 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, 2011 do not necessarily indicate the results to be expected for the full year. The December 31, 2010 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, 2010.

2. MARKETABLE SECURITIES:

Our investments in marketable securities are classified as available for sale and consist of the following:

| | | | | | September 30, 2011 | | |
|---|-----------|---------------------|----------------------|------------|--------------------|--|--|
| (In thousands) | Cost | Unrealized Gains | Unrealized Losses | Fair Value | | | |
| <u>Short Term</u> | | | | | | | |
| U.S. government and agency obligations | \$ 5,915 | \$ 9 | \$ | \$ 5,924 | | | |
| Corporate debt securities and certificates of deposit | 4,478 | 4 | | 4,482 | | | |
| Marketable securities short term | \$ 10,393 | \$ 13 | \$ | \$ 10,406 | | | |
| <u>Long Term</u> | | | | | | | |
| U.S. government and agency obligations | \$ 3,250 | \$ 30 | \$ (1) | \$ 3,279 | | | |
| Corporate debt securities and certificates of deposit | 1,771 | 8 | | 1,779 | | | |
| Equity security | 84 | | (27) | 57 | | | |
| Marketable securities long term | \$ 5,105 | \$ 38 | \$ (28) | \$ 5,115 | | | |

| | | | | | December 31, 2010 | | |
|---|----------|---------------------|----------------------|------------|-------------------|--|--|
| (In thousands) | Cost | Unrealized Gains | Unrealized Losses | Fair Value | | | |
| <u>Short Term</u> | | | | | | | |
| U.S. government and agency obligations | \$ 3,178 | \$ 7 | \$ | \$ 3,185 | | | |
| Corporate debt securities and certificates of deposit | 3,197 | 2 | | 3,199 | | | |
| Marketable securities short term | \$ 6,375 | \$ 9 | \$ | \$ 6,384 | | | |
| <u>Long Term</u> | | | | | | | |
| U.S. government and agency obligations | \$ 4,809 | \$ 17 | \$ | | | | |