

MKS INSTRUMENTS INC
Form 10-Q
May 09, 2012
Table of Contents

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 March 31, 2012

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 0-23621

MKS INSTRUMENTS, INC.

(Exact name of registrant as specified in its charter)

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Massachusetts
(State or other jurisdiction of

04-2277512
(I.R.S. Employer

incorporation or organization)

Identification No.)

2 Tech Drive, Suite 201, Andover, Massachusetts
(Address of principal executive offices)

01810
(Zip Code)

Registrant's telephone number, including area code (978) 645-5500

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 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

As of May 2, 2012, the registrant had 52,537,261 shares of common stock outstanding.

Table of Contents

MKS INSTRUMENTS, INC.

FORM 10-Q

INDEX

PART I.	<u>FINANCIAL INFORMATION</u>	
ITEM 1.	<u>FINANCIAL STATEMENTS (Unaudited).</u>	
	<u>Consolidated Balance Sheets March 31, 2012 and December 31, 2011</u>	3
	<u>Consolidated Statements of Operations and Comprehensive Income Three months ended March 31, 2012 and 2011</u>	4
	<u>Consolidated Statements of Cash Flows Three months ended March 31, 2012 and 2011</u>	5
	<u>Notes to Unaudited Consolidated Financial Statements</u>	6
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.</u>	18
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.</u>	23
ITEM 4.	<u>CONTROLS AND PROCEDURES.</u>	23
PART II.	<u>OTHER INFORMATION</u>	
ITEM 1.	<u>LEGAL PROCEEDINGS.</u>	24
ITEM 1A.	<u>RISK FACTORS.</u>	24
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.</u>	24
ITEM 6.	<u>EXHIBITS.</u>	25
	<u>SIGNATURES</u>	26
	EXHIBIT INDEX	

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

MKS INSTRUMENTS, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 345,673	\$ 312,916
Short-term investments	223,772	252,603
Trade accounts receivable, net	131,132	120,894
Inventories	148,474	153,632
Deferred income taxes	10,080	10,618
Other current assets	24,978	34,238
Total current assets	884,109	884,901
Property, plant and equipment, net	73,994	72,487
Long-term investments	16,481	7,873
Goodwill	140,084	140,084
Intangible assets, net	1,150	1,043
Other assets	11,915	12,266
Total assets	\$ 1,127,733	\$ 1,118,654
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$ 368	\$ 1,932
Accounts payable	22,583	24,853
Accrued compensation	21,210	21,774
Income taxes payable	5,395	7,548
Other current liabilities	37,923	40,324
Total current liabilities	87,479	96,431
Other liabilities	34,212	32,211
Commitments and contingencies (Note 14)		
Stockholders equity:		
Preferred Stock, \$0.01 par value per share, 2,000,000 shares authorized; none issued and outstanding		
Common Stock, no par value, 200,000,000 shares authorized; 52,528,749 and 52,491,948 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	113	113
Additional paid-in capital	709,707	707,419
Retained earnings	281,711	268,870

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Accumulated other comprehensive income	14,511	13,610
Total stockholders' equity	1,006,042	990,012
Total liabilities and stockholders' equity	\$ 1,127,733	\$ 1,118,654

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

Table of Contents

MKS INSTRUMENTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME

(in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Net revenues:		
Products	\$ 164,488	\$ 207,447
Services	26,380	24,404
Total net revenues	190,868	231,851
Cost of revenues:		
Cost of products	91,024	111,215
Cost of services	16,053	14,275
Total cost of revenues	107,077	125,490
Gross profit	83,791	106,361
Research and development	16,184	16,896
Selling, general and administrative	34,119	32,707
Amortization of intangible assets	119	250
Income from operations	33,369	56,508
Interest income	261	276
Interest expense	9	5
Income before income taxes	33,621	56,779
Provision for income taxes	10,853	18,736
Net income	22,768	38,043
Other comprehensive income:		
Changes in value of financial instruments designated as cash flow hedges, net of tax expense of \$413 and \$233 for the three months ended March 31, 2012 and 2011, respectively	641	394
Foreign currency translation adjustments, net of tax of \$0 for the three months ended March 31, 2012 and 2011, respectively	301	3,124
Unrealized (loss) gain on investments, net of tax (benefit) expense of \$(27) and \$28 for the three months ended March 31, 2012 and 2011, respectively	(41)	48
Total comprehensive income	\$ 23,669	\$ 41,609
Net income per share:		
Basic	\$ 0.43	\$ 0.74

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Diluted	\$ 0.43	\$ 0.73
Cash dividends paid per common share	\$ 0.15	\$ 0.15
Weighted average common shares outstanding:		
Basic	52,504	51,407
Diluted	53,222	52,386

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

Table of Contents

MKS INSTRUMENTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 22,768	\$ 38,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,143	3,177
Stock-based compensation	3,300	3,092
Provision for excess and obsolete inventory	4,263	3,066
Deferred income taxes	1,032	2,993
Excess tax benefits from stock-based compensation	(657)	(5,032)
Other	532	(289)
Changes in operating assets and liabilities:		
Trade accounts receivable	(12,217)	(16,838)
Inventories	578	(5,984)
Income taxes	3,648	12,161
Other current assets	3,519	(1,048)
Accrued compensation and other liabilities	(187)	(4,847)
Accounts payable	(2,289)	(1,726)
Net cash provided by operating activities	27,433	26,768
Cash flows from investing activities:		
Purchases of investments	(101,257)	(103,721)
Maturities and sales of investments	121,414	152,514
Purchases of property, plant and equipment	(4,567)	(2,331)
Other	(146)	(31)
Net cash provided by investing activities	15,444	46,431
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,896	2,988
Payments on short-term borrowings	(4,401)	(1,462)
Repurchase of common stock	(3,721)	
Net proceeds related to employee stock awards	19	22,672
Dividend payments to common stockholders	(7,877)	(7,763)
Excess tax benefit from stock-based compensation	657	5,032
Net cash (used in) provided by financing activities	(12,427)	21,467
Effect of exchange rate changes on cash and cash equivalents	2,307	2,065
Increase in cash and cash equivalents	32,757	96,731
Cash and cash equivalents at beginning of period	312,916	162,476

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Cash and cash equivalents at end of period	\$ 345,673	\$ 259,207
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The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

MKS INSTRUMENTS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

1) Basis of Presentation

The terms "MKS" and the "Company" refer to MKS Instruments, Inc. and its subsidiaries. The interim financial data as of March 31, 2012 and for the three months ended March 31, 2012 and 2011 are unaudited; however, in the opinion of MKS, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The consolidated balance sheet presented as of December 31, 2011 has been derived from the audited consolidated financial statements as of that date. The unaudited consolidated financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by United States generally accepted accounting principles ("U.S. GAAP"). The consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the MKS Annual Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on February 8, 2012.