Newport Corporation Reports Fourth Quarter and Full Year 2011 Results

The Associated Press

Newport Corporation (NASDAQ: NEWP) today reported financial results for its fourth quarter and full year ended December 31, 2011, and its outlook for the first quarter and full year of 2012. The company noted the following highlights: -- Fourth quarter sales of $160.9 million, an increase of 21.1% over the $132.9 million recorded in the fourth quarter of 2010, including $36.3 million of incremental sales from Newport's recent acquisitions; -- Full year sales of $545.1 million, an increase of 13.6% over the $479.8 million recorded in the full year of 2010; and -- Record new orders expected in the first quarter of 2012, including a $36.7 million order for ultrafast lasers used in surgical procedures.

Robert J. Phillippy, Newport's President and Chief Executive Officer, stated, "2011 was an outstanding year for Newport. We continued to deliver solid financial results and executed well on our strategic agenda with the acquisitions of Ophir Optronics and High Q Laser. In addition, in January of this year we completed our acquisition of ILX Lightwave. These three businesses improve our presence in our target markets and expand our portfolio of photonics technologies and products. We remain confident that all three of these acquisitions will be accretive to our financial results for fiscal year 2012 and beyond." Orders and Sales New orders received in the fourth quarter of 2011 were $151.0 million, an increase of 15.8% compared with the $130.4 million received in the fourth quarter of 2010. New orders received in the full year of 2011 were $543.0 million, an increase of 6.5% compared with the $510.1 million in orders received in the full year of 2010. The company's new orders in the fourth quarter of 2011 included $29.2 million of new orders received by Ophir and High Q.

Newport's sales and orders by end market were as follows: (In thousands, except percentages, unaudited) Three Months Ended Year Ended Percentage Change vs. Prior Year Period Fourth Full December 31, January 1, December 31, January 1, Quarter Year 2011 2011 (1) 2011 2011 (1) 2011 2011 Sales by End Market Scientific research, aerospace and defense/security $ 62,159 $ 42,407 $ 185,385 $ 160,466 46.6% 15.5% Microelectronics 34,907 42,564 154,321 151,865 -18.0% 1.6% Life and health sciences 38,146 28,250 119,986 96,522 35.0% 24.3% Industrial manufacturing and other 25,701 19,629 85,362 70,934 30.9% 20.3% Total $ 160,913 $ 132,850 $ 545,054 $ 479,787 21.1% 13.6% Orders by End Market Scientific research, aerospace and defense/security $ 56,250 $ 43,434 $ 183,901 $ 157,285 29.5% 16.9% Microelectronics 30,733 41,170 158,585 175,952 -25.4% -9.9% Life and health sciences 37,064 25,494 115,838 103,099 45.4% 12.4% Industrial manufacturing and other 26,925 20,284 84,672 73,733 32.7% 14.8% Total $ 150,972 $ 130,382 $ 542,996 $ 510,069 15.8% 6.5% Notes: (1) Certain prior period amounts have been reclassified to conform to the current period presentation.

The company recorded increases in orders and sales in the fourth quarter of 2011 compared with the prior year period in all of its end markets except Microelectronics, due to the addition of the orders and sales of the acquired businesses. Orders from and sales to customers in Newport's Microelectronics market, which were not impacted significantly by the acquisitions, declined in the fourth quarter of 2011 compared with the prior year period, due primarily to the impact of the industry-wide slowdown on the company's semiconductor equipment customers. The company noted that orders from and sales to these customers increased slightly on a sequential basis compared with the third quarter of 2011, and that orders have continued to improve in the first quarter of 2012.

The company also noted that its overall order activity has been strong in the first quarter of 2012, including the receipt of a $36.7 million order for ultrafast lasers used in surgical procedures that is expected to ship over the next two years beginning this quarter.

Net Income Newport reported net income of $34.5 million, or $0.90 per diluted share, for the fourth quarter of 2011 and $79.7 million, or $2.06 per diluted share, for the full year of 2011, when calculated in accordance with generally accepted accounting principles (GAAP). The company noted that its net income in the fourth quarter was positively impacted by an income tax benefit of $32.7 million, due primarily to the reversal of the company's prior year valuation allowance against certain tax assets, as well as by the addition of the results of Ophir and High Q, which contributed segment income totaling $3.4 million in the quarter.

On a non-GAAP basis, excluding acquisition-related expenses, restructuring costs, a loss on extinguishment of debt and the valuation allowance reversal referenced above, the company would have recorded net income in the fourth quarter of 2011 of $9.6 million, or $0.25 per diluted share. For the full year of 2011, on a non-GAAP basis, excluding the items referenced above for the fourth quarter non-GAAP results, as well as a non-recurring currency translation adjustment, acquisition-related expenses, restructuring costs, a divestiture-related gain, and a commitment fee for an interim revolving line of credit, the company would have recorded net income of $51.2 million, or $1.32 per diluted share.

The company noted that its net income for the fourth quarter and full year of 2011, on both a GAAP and non-GAAP basis, included $4.2 million ($0.10 per diluted share) and $4.7 million ($0.11 per diluted share), respectively, of amortization of intangible assets established in the opening balance sheets for the Ophir and High Q transactions.

The company has provided a reconciliation of net income and net income per diluted share calculated in accordance with GAAP, and on a non-GAAP basis, following the statements of income included in this release. Management considers the expenses and gains excluded from its non-GAAP financial information to be outside of the company's core business results and believes that the supplemental presentation of such non-GAAP financial information helps to provide a more meaningful comparison of its financial results between periods.

Cash, Cash Equivalents and Marketable Securities Newport ended the year with $72.9 million in cash, cash equivalents and marketable securities. The company also retired $114.4 million of its convertible bonds during the fourth quarter of 2011, and obtained a new $250 million senior secured credit facility.

Financial Outlook Commenting on the company's outlook, Mr. Phillippy said, "Over the last several years, Newport has established a strong financial foundation. In addition, in each of the last three quarters, including the first quarter of 2012, we have added acquisitions that we expect to further enhance our financial performance. We entered 2012 with record backlog scheduled to ship in the next 12 months of $168.7 million, and new order activity levels have been high in the first quarter. As a result, we expect to achieve all-time record levels of new orders in the first quarter of 2012." Based on its record backlog and strong orders to start the year, Newport expects its sales for the full year of 2012 to be in the range of $670 million to $685 million. The company expects its operating income to be in the range of 10% to 12% of sales, including the impact of approximately $16 million of non-cash amortization expense resulting from the acquisitions. The company also noted that it expects its tax provision for 2012 to be in the range of 32% to 34%, although the majority of the provision will not result in the payment of cash taxes as the company has federal and state net operating loss and tax credit carry forwards that are expected to offset much of the liability for U.S. federal and state tax payments.

For the first quarter of 2012, the company anticipates its sales level to be similar to the $160.9 million recorded in the fourth quarter of 2011. Expense levels are expected to be slightly higher in the first quarter of 2012 compared with the fourth quarter of 2011, due to the seasonal nature of certain expenses, the incremental impact of the recent acquisitions and expenses related to the integration of the businesses.

Mr. Phillippy continued, "Our financial results for the first quarter of 2012 will include a number of items that make comparisons with prior periods difficult, including the amortization of newly established intangibles and the full tax provision. We expect that our first quarter operating income will be in the range of 7% to 8% of sales, which will include $4.2 million of incremental amortization of intangibles, or approximately 2.6% of sales. Going forward, with increasing revenue and future synergies anticipated from our recent acquisitions, we expect our sales and profit to grow sequentially in each of the remaining quarters of 2012." ABOUT NEWPORT CORPORATION Newport Corporation is a leading global supplier of advanced-technology products and systems to customers in the scientific research, aerospace and defense/security, microelectronics, life and health sciences and precision industrial manufacturing markets. Newport's innovative solutions leverage its expertise in photonics technologies, including lasers, photonics instrumentation, sub-micron positioning systems, vibration isolation, optical components and subsystems, precision automation and three-dimensional non-contact measurement equipment, to enhance the capabilities and productivity of its customers' manufacturing, engineering and research applications. Newport is part of the Standard & Poor's SmallCap 600 Index and the Russell 2000 Index.

INVESTOR CONFERENCE CALL Robert J. Phillippy, President and Chief Executive Officer, and Charles F. Cargile, Senior Vice President and Chief Financial Officer, will host an investor conference call today, February 22, 2012, at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to review the company's results for the fourth quarter and twelve months of 2011 and its outlook for the first quarter and full year of 2012. The call will be open to all interested investors through a live audio web broadcast via the Internet at www.newport.com/investors and www.earnings.com. The call also will be available to investors and analysts by dialing 888-727-7622 within the U.S. and Canada or 913-312-1446 from abroad.

The webcast will be archived on both websites and can be reached through the same links. A telephonic playback of the conference call also will be available by calling 888-203-1112 within the U.S. and Canada and 719-457-0820 from abroad. Playback will be available beginning at 8:00 p.m. Eastern time today and continue through 8:00 p.m. Eastern time on Wednesday, February 29, 2012. The replay passcode is 9063704.

SAFE HARBOR STATEMENT This news release contains forward-looking statements, including without limitation statements regarding Newport's expectation of record new orders in the first quarter of 2012, the expected impact on Newport's financial results of the High Q Technologies, Ophir Optronics and ILX Lightwave acquisitions, including accretion to Newport's financial results for 2012 and beyond, the expected timing of shipment of the $36.7 million order for ultrafast lasers, Newport's expected sales, operating margin and tax provision in the full year of 2012, its expected use of net operating loss and tax credit carry forwards to offset much of its U.S. federal and state tax liability in 2012, Newport's expected sales, expense levels, intangibles amortization, tax provision and operating margin in the first quarter of 2012, and Newport's expectation of sequential sales and profit growth in the remaining quarters of 2012. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Assumptions relating to the foregoing involve judgments and risks with respect to, among other things, Newport's ability to achieve expected benefits from the integration of Ophir Optronics, High Q Technologies and ILX Lightwave; the strength of business conditions in the industries Newport serves, particularly the semiconductor industry; Newport's ability to successfully penetrate and increase sales to its targeted end markets, particularly the life and health sciences market; the levels of private and governmental research funding worldwide; potential order cancellations and push-outs; future economic, competitive and market conditions, including those in Europe and Asia and those related to its strategic markets; whether its products will continue to achieve customer acceptance; and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of Newport. Certain of these judgments and risks are discussed in more detail in Newport's periodic reports filed with the Securities and Exchange Commission. Although Newport believes that the assumptions underlying the

forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in forward-looking statements will be realized. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by Newport or any other person that Newport's objectives or plans will be achieved. Newport undertakes no obligation to revise the forward-looking statements contained herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Newport Corporation Consolidated Statements of Income (Unaudited) Three Months Ended Year Ended December 31, January 1, December 31, January 1, (In thousands, except per share amounts) 2011 2011 2011 2011 Net sales $ 160,913 $ 132,850 $ 545,054 $ 479,787 Cost of sales 94,515 74,020 305,325 274,491 Gross profit 66,398 58,830 239,729 205,296 Selling, general and administrative expenses 47,007 30,049 140,636 113,296 Research and development expense 13,485 10,523 45,270 39,278 Operating income 5,906 18,258 53,823 52,722 Recovery of note receivable and other amounts related to previously discontinued operations, net - - 619 - Foreign currency translation gain (loss) from dissolution of subsidiary - - 7,198 (554) Loss on extinguishment of debt (582) - (582) - Interest and other expense, net (3,554) (1,671) (10,550) (7,927) Income before income taxes 1,770 16,587 50,508 44,241 Income tax provision (benefit) (32,709) 1,411 (29,154) 3,128 Net income 34,479 15,176 79,662 41,113 Net loss attributable to non-controlling interests (46) - (46) - Net income attributable to Newport Corporation $ 34,525 $ 15,176 $ 79,708 $ 41,113 Net income per share attributable to Newport Corporation: Basic $ 0.92 $ 0.41 $ 2.13 $ 1.12 Diluted $ 0.90 $ 0.40 $ 2.06 $ 1.09 Shares used in the computation of net income per share: Basic 37,602 36,806 37,407 36,647 Diluted 38,495 38,318 38,673 37,726 Other operating data: New orders received during the period $ 150,972 $ 130,382 $ 542,996 $ 510,069 Backlog at the end of period scheduled to ship within 12 months $ 168,697 $ 129,645 Newport Corporation Supplemental Non-GAAP Measures (Unaudited) Three Months Ended Year Ended (In thousands, except per share amounts) December 31, 2011 January 1, 2011 December 31, 2011 January 1, 2011 Net income: Net income attributable to Newport Corporation - GAAP $ 34,525 $ 15,176 $ 79,708 $ 41,113 Foreign currency translation (gain) loss from dissolution of subsidiary - - (7,198) 554 Acquisition-related costs 7,858 - 10,956 - Commitment fee for interim revolving line of credit - - 500 - Restructuring and severance costs 1,175 173 2,174 (48) Loss (gain) related to sale of businesses - 88 (619) 542 Loss on extinguishment of debt 582 - 582 - Release of prior years valuation allowance and other tax adjustments (34,052) - (34,052) - Income tax provision on non-GAAP adjustments (533) (7) (821) (79) Non-GAAP net income $ 9,555 $ 15,430 $ 51,230 $ 42,082 Adjusted EBITDA Non-GAAP net income $ 9,555 $ 15,430 $ 51,230 $ 42,082 Stock-based compensation 1,522 1,522 6,201 4,848 Depreciation expense 4,848 3,995 15,161 14,777 Amortization of intangible assets 4,947 758 7,753 3,181 Interest and other expense, net 3,554 1,671 10,050 7,927 Release of prior years valuation allowance and other tax adjustments 34,052 - 34,052 - Income tax provision (benefit) on non-GAAP earnings (32,176) 1,418 (28,333) 3,207 Adjusted EBITDA $ 26,302 $ 24,794 $ 96,114 $ 76,022 Net income per diluted share attributable to Newport Corporation: Net income - GAAP $ 0.90 $ 0.40 $ 2.06 $ 1.09 Total non-GAAP adjustments (0.65) -

(0.74) 0.03 Non-GAAP net income per diluted share $ 0.25 $ 0.40 $ 1.32 $ 1.12 Newport Corporation Consolidated Balance Sheets (Unaudited) December 31, January 1, (In thousands) 2011 2011 ASSETS Current assets: Cash and cash equivalents $ 55,701 $ 90,992 Restricted cash 12,367 - Marketable securities 4,787 109,192 Accounts receivable, net 97,690 84,238 Notes receivable, net 2,091 3,313 Inventories, net 112,968 84,508 Deferred income taxes 30,339 9,424 Prepaid expenses and other current assets 15,374 10,362 Total current assets 331,317 392,029 Property and equipment, net 89,873 46,160 Goodwill 143,259 69,322 Deferred income taxes 9,289 3,493 Intangible assets, net 150,572 24,990 Investments and other assets 39,759 20,396 $ 764,069 $ 556,390 LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities: Short-term borrowings, net $ 45,149 $ 12,468 Accounts payable 30,856 31,691 Accrued payroll and related expenses 36,914 30,804 Accrued expenses and other current liabilities 39,800 28,416 Total current liabilities 152,719 103,379 Long-term debt, net 178,043 122,042 Obligations under capital leases, less current portion 790 979 Accrued pension liabilities 24,444 13,279 Other liabilities 35,796 21,252 Total stockholders' equity of Newport Corporation 370,258 295,459 Non-controlling interests 2,019 - Total stockholders' equity 372,277 295,459 $ 764,069 $ 556,390 SOURCE Newport Corporation -0- 02/22/2012 /CONTACT: Charles F. Cargile, +1-949-863-3144, Newport Corporation, Irvine, CA, investor@newport.com, or Dan Peoples, +1-858-552-8146, Makinson Cowell (US) /Web Site: http://www.newport.com (NASDAQ-NMS:NEWP) / CO: Newport Corporation ST: California IN: CPR ECP SU: ERN CCA ERP PRN -- NY57962 -- 0000 02/22/2012 21:05:00 EDT http://www.prnewswire.c

Source URL (retrieved on *03/07/2014 - 11:22pm*):
http://www.mdtmag.com/news/2012/02/newport-corporation-reports-fourth-quarter-and-full-year-2011-results?qt-recent_content=0