

GSI GROUP INC
Form 10-Q
May 16, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended April 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 No. 001-35083

GSI Group Inc.

(Exact name of registrant as specified in its charter)

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New Brunswick, Canada
(State or other jurisdiction of
incorporation or organization)
125 Middlesex Turnpike
Bedford, Massachusetts, USA
(Address of principal executive offices)

98-0110412
(I.R.S. Employer
Identification No.)
01730
(Zip Code)

(781) 266-5700
(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 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 (Section 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of April 30, 2011, there were 33,352,192 of the Registrant's common shares, no par value, issued and outstanding.

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GSI GROUP INC.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****GSI GROUP INC.****CONSOLIDATED BALANCE SHEETS****(In thousands of U.S. dollars, except share data)****(Unaudited)**

	April 1, 2011	December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 61,337	\$ 56,781
Accounts receivable, net of allowance of \$768 and \$696, respectively	55,073	55,110
Income taxes receivable	21,975	21,920
Inventories	70,080	66,721
Deferred tax assets	4,260	4,226
Deferred cost of goods sold	6,910	7,789
Prepaid expenses and other current assets	5,769	5,580
Total current assets	225,404	218,127
Property, plant and equipment, net of accumulated depreciation of \$58,187 and \$55,336, respectively	44,970	45,402
Deferred tax assets	1,592	1,445
Other assets	5,502	4,476
Intangible assets, net	51,236	53,139
Goodwill	44,578	44,578
Total Assets	\$ 373,282	\$ 367,167
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 20,347	\$ 19,766
Income taxes payable	2,244	1,785
Accrued compensation and benefits	7,366	7,988
Deferred revenue	12,951	15,006
Other accrued expenses	12,930	14,717
Total current liabilities	55,838	59,262
Debt (Note 7)	108,107	107,575
Deferred revenue	424	402
Deferred tax liabilities	8,440	8,373
Accrued restructuring, net of current portion	670	769
Income taxes payable	6,890	6,644
Accrued pension liability	2,864	3,044
Other liabilities	1,821	2,420
Commitments and contingencies (Note 12)		
Stockholders' Equity:	423,856	423,856

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Common shares, no par value; Authorized shares: unlimited; Issued and outstanding: 33,352,192 and 33,342,169, respectively

Additional paid-in capital	15,643	14,655
Accumulated deficit	(250,526)	(256,733)
Accumulated other comprehensive loss	(1,129)	(3,429)
Total GSI Group Inc. stockholders' equity	187,844	178,349
Noncontrolling interest	384	329
Total stockholders' equity	188,228	178,678
Total Liabilities and Stockholders' Equity	\$ 373,282	\$ 367,167

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

Table of Contents**GSI GROUP INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands of U.S. dollars or shares, except per share amounts)****(Unaudited)**

	Three Months Ended	
	April 1, 2011	April 2, 2010
Sales	\$ 91,858	\$ 114,615
Cost of goods sold	51,964	65,577
Gross profit	39,894	49,038
Operating expenses:		
Research and development and engineering	8,171	7,365
Selling, general and administrative	19,268	17,572
Amortization of purchased intangible assets	992	1,128
Restructuring, restatement related costs and other	183	668
Post-emergence professional fees	139	
Total operating expenses	28,753	26,733
Income from operations	11,141	22,305
Interest income	20	25
Interest expense	(3,670)	(5,808)
Foreign exchange transaction gains (losses), net	(692)	369
Other income (expense), net	1,030	605
Income from operations before reorganization items and income taxes	7,829	17,496
Reorganization items		(9,630)
Income from operations before income taxes	7,829	7,866
Income tax provision	1,567	1,825
Consolidated net income	6,262	6,041
Less: Net income attributable to noncontrolling interest	(55)	(41)
Net income attributable to GSI Group Inc.	\$ 6,207	\$ 6,000
Net income attributable to GSI Group Inc. per common share:		
Basic	\$ 0.19	\$ 0.38
Diluted	\$ 0.19	\$ 0.38
Weighted average common shares outstanding basic	33,449	15,952
Weighted average common shares outstanding diluted	33,532	15,964

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

Table of Contents**GSI GROUP INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands of U.S. dollars)****(Unaudited)**

	Three Months Ended	
	April 1, 2011	April 2, 2010
Cash flows from operating activities:		
Consolidated net income	\$ 6,262	\$ 6,041
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,832	3,667
Provision for uncollectible receivables	142	(219)
Provision for inventory obsolescence	1,619	1,857
Share-based compensation	988	724
Deferred income taxes	(114)	(86)
Earnings from equity investment	(1,028)	(192)
Loss on sale of property and assets		2
Gain on sale of auction rate securities		(335)
Non-cash interest expense	361	
Non-cash restructuring charges	17	22
Changes in operating assets and liabilities:		
Accounts receivable	(80)	(278)
Inventories	(3,840)	(1,482)
Deferred cost of goods sold	879	23,545
Prepaid expenses and other current assets	(144)	1,101
Deferred revenue	(2,033)	(39,640)
Deferred rent	(330)	(84)
Accounts payable, accrued expenses and income taxes receivable and payable	(758)	20,501
Changes in other non-current assets and liabilities	(164)	(187)
Cash provided by operating activities	5,609	14,957
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,194)	(656)
Proceeds from the sale of auction rate securities		2,670
Cash provided by (used in) investing activities	(1,194)	2,014
Effect of exchange rates on cash and cash equivalents	141	(297)
Increase in cash and cash equivalents	4,556	16,674
Cash and cash equivalents, beginning of period	56,781	63,328
Cash and cash equivalents, end of period	\$ 61,337	\$ 80,002
Supplemental disclosure of cash flow information:		
Cash paid for interest		