

EXFO ELECTRO OPTICAL ENGINEERING INC
Form 6-K
January 14, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16
Under the Securities Exchange Act of 1934

For the month of January 2009

EXFO Electro-Optical Engineering Inc.
(Translation of registrant's name into English)

400 Godin Avenue, Quebec, Quebec, Canada G1M 2K2
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____.

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On January 13, 2009, EXFO Electro-Optical Engineering Inc., a Canadian corporation, reported its results of operations for the first fiscal quarter ended November 30, 2008. This report on Form 6-K sets forth the news release relating to EXFO's announcement and certain information relating to EXFO's financial condition and results of operations for the first fiscal quarter of the 2009 fiscal year. This press release and information relating to EXFO's financial condition and results of operations for the first fiscal quarter of the 2009 fiscal year are hereby incorporated as a document by reference to Form F-3 (Registration Statement under the Securities Act of 1933) declared effective as of July 30, 2001 and to Form F-3 (Registration Statement under the Securities Act of 1933) declared effective as of March 11, 2002 and to amend certain material information as set forth in these two Form F-3 documents.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EXFO ELECTRO-OPTICAL ENGINEERING INC.

By: /s/ Germain Lamonde
Name: Germain Lamonde
Title: President and Chief Executive Officer

Date: January 14, 2009

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EXFO Reports Strong Financial Results for First Quarter of 2009

- § Record-high bookings of US\$52.3 million, up 19.7% year-over-year
 - § Sales increase 13.1% year-over-year to US\$46.4 million
- § Gross margin reaches 62.3%, highest level since second quarter of 2001
 - § GAAP net earnings amount to US\$0.08 per diluted share

QUEBEC CITY, CANADA, January 13, 2009 – EXFO Electro-Optical Engineering Inc. (NASDAQ: EXFO; TSX: EXF) reported today strong financial results for the first quarter ended November 30, 2008.

Sales increased 13.1% to US\$46.4 million in the first quarter of fiscal 2009 from US\$41.0 million in the first quarter of 2008, but decreased 9.0% from US\$50.9 million in the fourth quarter of 2008. Net bookings improved 19.7% year-over-year to a record-high of US\$52.3 million for a book-to-bill ratio of 1.13 in the first quarter of fiscal 2009 from US\$43.7 million in the same period last year and 14.5% from US\$45.7 million in the fourth quarter of 2008.

Gross margin reached 62.3% of sales in the first quarter of fiscal 2009, its highest level since the second quarter of 2001, compared to 55.7% in the first quarter of 2008 and 59.9% in the fourth quarter of 2008.

GAAP net earnings in the first quarter of fiscal 2009 increased to US\$5.3 million, or US\$0.08 per diluted share, from a GAAP net loss of US\$0.1 million, or US\$ 0.00 per diluted share, in the same period last year and GAAP net earnings of US\$3.3 million, or US\$0.05 per diluted share in the fourth quarter of fiscal 2008. GAAP net earnings in the first quarter of 2009 included US\$1.1 million in after-tax amortization of intangible assets and US\$0.3 million in stock-based compensation costs. It should be noted that EXFO recorded a pre-tax, foreign exchange gain of US\$4.6 million in the first quarter of fiscal 2009.

“I am quite pleased with our record-high bookings of US\$52.3 million and best gross margin in almost eight years in the last quarter, led by very strong growth from our next-generation, IP test equipment and recent service assurance acquisition that we’re starting to leverage,” said Germain Lamonde, EXFO’s Chairman, President and CEO. “On the strength of a multi-million dollar service assurance contract with a Tier-1 wireless operator, our Protocol business collectively accounted for more than 30% of total bookings in the quarter to significantly contribute to our book-to-bill ratio of 1.13. We also benefited from a weaker Canadian/US exchange rate which positively affected our operating expenses and our earnings.”

“A number of wireline and wireless network operators will likely reduce their capital expenditures in 2009, given the challenging macro-economic conditions,” Mr. Lamonde added. “But we expect many will continue to strategically invest in next-generation IP convergence and broadband deployments in order to add higher-margin revenues, differentiated services and to reduce their operating expenses. EXFO is well positioned to take advantage of these growth segments. We’re also counting on important new products and increased focus to attain our long-term performance metrics. To remain prudent, however, we have implemented a series of measures to control expenses, deferred or cancelled hirings, and fine-tuned our strategies. Finally, our balance sheet remains strong, even after our successful C\$30 million share buyback, as we navigate through this tumultuous period.”

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(In thousands of US dollars)

Segmented results:	Q1 2009	Q1 2008	Q4 2008
Sales:			
Telecom Division	\$ 41,159	\$ 35,365	\$ 45,338
Life Sciences and Industrial Division	5,204	5,620	5,605
Total	\$ 46,363	\$ 40,985	\$ 50,943
Earnings from operations:			
Telecom Division	\$ 1,355	\$ 21	\$ 2,867
Life Sciences and Industrial Division	738	281	721
Total	\$ 2,093	\$ 302	\$ 3,588
Other selected information:			
GAAP net earnings (loss)	\$ 5,287	\$ (93)	\$ 3,314
After-tax amortization of intangible assets	\$ 1,098	\$ 499	\$ 1,177
Stock-based compensation costs	\$ 322	\$ 301	\$ 368

Operating Expenses

Selling and administrative expenses amounted to US\$17.1 million, or 36.9% of sales, in the first quarter of fiscal 2009 compared to US\$14.8 million, or 36.2% of sales, in the same period last year and US\$17.0 million, or 33.4% of sales, in the fourth quarter of 2008.

Gross research and development expenses totaled US\$8.6 million, or 18.6% of sales, in the first quarter of fiscal 2009 compared to US\$7.5 million, or 18.3% of sales, in the first quarter of 2008 and US\$8.6 million, or 16.8% of sales, in the fourth quarter of 2008.

Net R&D expenses totaled US\$7.2 million, or 15.6% of sales, in the first quarter of fiscal 2009 compared to US\$6.0 million, or 14.7% of sales, in the same period last year and US\$7.3 million, or 14.3% of sales, in the fourth quarter of 2008.

First-Quarter Business Highlights

Market expansion — EXFO delivered sales growth of 13.1% year-over-year, including a combined US\$4.5 million revenue contribution from recently acquired Brix Networks and Navtel Communications. Its Protocol business generated record quarterly revenues, accounting for more than 30% of Telecom Division sales for the first time. The company's bookings made significant progress in the wireless market in the first quarter of 2009, while Telecom Division sales increased 16.4% year-over-year and the Life Sciences and Industrial Division experienced a 7.4% drop due to deteriorating end-consumer markets. EXFO's top customer accounted for 3.8% of total sales, while its top three accounts represented 10.4% of sales, demonstrating the company's successful diversification efforts.

Profitability and Gross Margin — EXFO reported GAAP net earnings of US\$5.3 million, or US\$0.08 per diluted share. An improved gross margin at 62.3%, on account of a weaker Canadian dollar, increased sales of higher-margin Protocol test solutions and the ramp-up of low-cost manufacturing plant in China, also contributed to the company's profitability in the first quarter.

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EXFO launched five new products in the first quarter including amongst others a new software release for the Transport Blazer product line that delivers unprecedented insight into 40 Gbit/s network behavior; new software releases for the IMS InterWatch platform and Packet Blazer product line to support the migration of voice and video applications to the IPv6 (Internet Protocol, version 6) addressing scheme; and expanded Ethernet test capabilities on the Power Blazer product line through multi-stream, quality of service (QoS) support. Products on the market two years or less generated 33.1% of total sales.

Business Outlook

EXFO forecasted sales between US\$45 million and US\$50 million and GAAP net earnings between US\$0.01 per diluted share and US\$0.05 per diluted share for the second quarter of 2009. GAAP net earnings include US\$0.02 per share in after-tax amortization of intangible assets and stock-based compensation costs.

This guidance was established by management based on existing backlog as of the date of this press release, seasonality, expected bookings for the remaining of the quarter, as well as stability in exchange rates compared to the previous quarter.

Conference Call and Webcast

EXFO will host a conference call today at 5 p.m. (Eastern time) to review its financial results for the first quarter of fiscal 2009. To listen to the conference call and participate in the question period via telephone, dial 1-416-620-2416. Germain Lamonde, Chairman, President and CEO, and Pierre Plamondon, CA, Vice-President of Finance and Chief Financial Officer, will participate in the call. An audio replay of the conference call will be available one hour after the event until 7 p.m. on January 20, 2009. The replay number is 1-402-977-9141 and the reservation number is 21405504. The audio Webcast and replay of the conference call will also be available on EXFO's Website at www.EXFO.com, under the Investors section.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, and we intend that such forward-looking statements be subject to the safe harbors created thereby. Forward-looking statements are statements other than historical information or statements of current condition. Words such as may, will, expect, believe, anticipate, intend, could, estimate, continue, or the negative 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 and circumstances are considered forward-looking statements. They are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those in forward-looking statements due to various factors including consolidation in the global telecommunications test, measurement and monitoring industry; capital spending levels in the telecommunications, life sciences and high-precision assembly sectors; concentration of sales; fluctuating exchange rates and our ability to execute in these uncertain conditions; the effects of the additional actions we have taken in response to such economic uncertainty (including our ability to quickly adapt cost structures with anticipated levels of business, ability to manage inventory levels with market demand); market acceptance of our new products and other upcoming products; limited visibility with regards to customer orders and the timing of such orders; our ability to successfully integrate our acquired and to-be-acquired businesses; our ability to successfully expand international operations; the retention of key technical and management personnel; and future economic, competitive, financial and market conditions, including any slowdown or recession in the global economy. Assumptions relating to the foregoing involve judgments and risks, all of which are difficult or impossible to predict and many of which are beyond our control. Other risk factors that may affect our future performance and operations are detailed in our Annual Report, on Form 20-F, and our other filings with the U.S. Securities and Exchange Commission and the Canadian securities commissions. We believe that the expectations reflected in the forward-looking statements are reasonable based on information currently

available to us, but we cannot assure you that the expectations will prove to have been correct. Accordingly, you should not place undue reliance on these forward-looking statements. These statements speak only as of the date of this document. Unless required by law or applicable regulations, we undertake no obligation to revise or update any of them to reflect events or circumstances that occur after the date of this document.

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About EXFO

EXFO is a leading provider of test and service assurance solutions for network service providers and equipment manufacturers in the global telecommunications industry. The Telecom Division offers a wide range of innovative solutions extending across the full technology lifecycle from design to technology deployment and onto service assurance and covering all layers on a network infrastructure to enable triple-play services and next-generation, converged IP networking. The Life Sciences and Industrial Division offers solutions in medical device and opto-electronics assembly, fluorescence microscopy and other life science sectors. For more information, visit www.EXFO.com.

For more information

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Interim Consolidated Balance Sheet

(in thousands of US dollars)

	As at November 30, 2008	As at August 31, 2008
	(unaudited)	
Assets		
Current assets		
Cash	\$ 5,441	\$ 5,914
Short-term investments	65,915	81,626
Accounts receivable		
Trade (note 4)	33,018	31,473
Other	4,859	4,753
Income taxes and tax credits recoverable	3,541	4,836
Inventories (note 5)	30,125	34,880
Prepaid expenses	1,993	1,774
Future income taxes	8,895	9,140
	153,787	174,396
Tax credits recoverable	19,264	20,657
Property, plant and equipment	17,475	19,875
Intangible assets	16,121	19,945
Goodwill	36,634	42,653
Future income taxes	14,297	15,540
	\$ 257,578	\$ 293,066
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 24,440	\$ 24,713
Deferred revenue	4,560	5,079
	29,000	29,792
Deferred revenue	3,388	3,759
Forward exchange contracts (note 4)	2,275	—

	34,663	33,551
Contingency (note 7)		
Shareholders' equity		
Share capital (note 8)	141,991	142,786
Contributed surplus	5,921	5,226
Retained earnings	65,781	60,494
Accumulated other comprehensive income	9,222	51,009
	222,915	259,515
	\$ 257,578	\$ 293,066

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

Table of ContentsEXFO Electro-Optical Engineering Inc.
Interim Unaudited Consolidated Statements of Earnings

(in thousands of US dollars, except share and per share data)

	Three months ended November 30,	
	2008	2007
Sales	\$ 46,363	\$ 40,985
Cost of sales (note 5) (1, 2)	17,480	18,144
Gross margin	28,883	22,841
Operating expenses		
Selling and administrative(1)	17,091	14,817
Net research and development(1) (note 9)	7,221	6,012
Amortization of property, plant and equipment	1,159	976
Amortization of intangible assets	1,319	734
Total operating expenses	26,790	22,539
Earnings from operations	2,093	302
Interest income	466	1,483
Foreign exchange gain (loss)	4,568	(616)
Earnings before income taxes	7,127	1,169
Income taxes (note 10)		
Current	(61)	1,181
Future	1,901	81
	1,840	1,262
Net earnings (loss) for the period	\$ 5,287	\$ (93)
Basic and diluted net earnings (loss) per share	\$ 0.08	\$ (0.00)
Basic weighted average number of shares outstanding (000's)	67,340	69,000
Diluted weighted average number of shares outstanding (000's) (note 11)	67,717	69,672
(1) Stock-based compensation costs included in:		
Cost of sales	\$ 29	\$ 37
Selling and administrative	201	197
Net research and development	92	67

\$ 322 \$ 301

(2)The cost of sales is exclusive of amortization, shown separately.

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

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EXFO Electro-Optical Engineering Inc.
Interim Unaudited Consolidated Statements of Comprehensive Income (Loss)
and Accumulated Other Comprehensive Income

(in thousands of US dollars)

Comprehensive income (loss)

Three months ended
November 30,

2008

2007