

EXFO ELECTRO OPTICAL ENGINEERING INC
Form 6-K
July 07, 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 July 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 June 30, 2009, EXFO Electro-Optical Engineering Inc., a Canadian corporation, reported its results of operations for the third fiscal quarter ended May 31, 2009. 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 third fiscal quarter of the 2009 fiscal year. This press release and information relating to EXFO's financial condition and results of operations for the third 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: July 7, 2009

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EXFO Reports Third-Quarter Results for Fiscal 2009

§ Sales reach US\$43.6 million despite a challenging economic environment

§ Gross margin improves to 62.3%, equaling highest level since 2001

§ Non-cash goodwill impairment charge of US\$21.7 million and foreign exchange loss of US\$4.7 million contribute to GAAP net loss of US\$23.3 million

§ Implements cost-reduction plan providing US\$6 million in annualized pre-tax savings

QUEBEC CITY, CANADA, June 30, 2009 – EXFO Electro-Optical Engineering Inc. (NASDAQ: EXFO; TSX: EXF) reported today financial results for the third quarter ended May 31, 2009.

Sales decreased 10.2% to US\$43.6 million in the third quarter of fiscal 2009 from US\$48.6 million in the third quarter of 2008 and 5.9% from US\$46.4 million in the second quarter of 2009. Net bookings dropped 20.7% to US\$40.2 million for a book-to-bill ratio of 0.92 in the third quarter of fiscal 2009 from US\$50.7 million in the same period last year and 14.9% from US\$47.3 million in the second quarter of 2009.

Gross margin improved to 62.3% of sales in the third quarter of fiscal 2009 from 60.9% in the third quarter of 2008 and 60.4% in the second quarter of 2009.

GAAP net loss in the third quarter of fiscal 2009 amounted to US\$23.3 million, or US\$0.39 per diluted share, compared to net earnings of US\$11.2 million, or US\$0.16 per diluted share, in the same period last year and net earnings of US\$2.7 million, or US\$0.04 per diluted share, in the second quarter of fiscal 2009.

It should be noted that EXFO recorded a non-cash charge of US\$21.7 million for impairment of goodwill in the third quarter of fiscal 2009, following a significant drop in the company's market capitalization since June 1, 2009. EXFO also incurred a pre-tax, foreign exchange loss of US\$4.7 million in the third quarter of 2009 mainly due to the impact of a 16.4% increase in the period-end value of the Canadian/US exchange rate on the company's balance sheet items. GAAP net loss in the third quarter of 2009 included US\$1.2 million in after-tax amortization of intangible assets and US\$0.4 million in stock-based compensation costs.

“EXFO delivered a solid sales quarter despite an increasingly challenging economic environment and I remain confident that we're continuing to gain market share,” said Germain Lamonde, EXFO's Chairman, President and CEO. “The fundamental trends towards bandwidth growth and IP convergence remain intact and EXFO is among the best-positioned companies to take advantage of these key growth drivers, considering our strong product offering, strengthened by several key new product introductions, along with targeted sales, channel and marketing initiatives.

“In the meantime, we continue to maintain a strong balance sheet, generate positive cash flow and have taken actions to protect our earnings through a cost-reduction plan that will provide approximately US\$6 million in annualized pre-tax savings, while we carefully balance short-term profitability with mid/long-term strategy.”

As part of this plan, EXFO tightened cost controls and reduced its workforce by approximately 5% (65 employees). The company has also applied for a Canadian federal program that will allow certain employees to work four days per week for a maximum of 52 weeks. EXFO will incur severance and other pre-tax related charges of about US\$1.3 million that will be accounted for in the fourth quarter of fiscal 2009.

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(In thousands of US dollars)

Segmented results:	Q3 2009	Q3 2008	Q2 2009
Sales:			
Telecom Division	\$ 39,047	\$ 42,843	\$ 41,367
Life Sciences and Industrial Division	4,589	5,738	5,005
Total	\$ 43,636	\$ 48,581	\$ 46,372
Earnings (loss) from operations:			
Telecom Division	\$ (21,990)	\$ 3,819	\$ 2,117
Life Sciences and Industrial Division	438	639	482
Total	\$ (21,552)	\$ 4,458	\$ 2,599
Other selected information:			
GAAP net earnings (loss)	\$ (23,346)	\$ 11,179	\$ 2,655
Amortization of intangible assets	\$ 1,355	\$ 1,015	\$ 1,246
Tax effect on amortization of intangible assets	\$ (203)	\$ (224)	\$ (212)
Stock-based compensation costs	\$ 383	\$ 334	\$ 325
Recognition of previously unrecognized future income tax assets	\$ –	\$ (5,324)	\$ –
Extraordinary gain	\$ –	\$ (3,036)	\$ –
Impairment of goodwill	\$ 21,713	\$ –	\$ –
Tax effect on impairment of goodwill	\$ (2,070)	\$ –	\$ –

Operating Expenses

Selling and administrative expenses amounted to US\$16.7 million, or 38.3% of sales, in the third quarter of fiscal 2009 compared to US\$15.7 million, or 32.2% of sales, in the same period last year and US\$15.8 million, or 34.1% of sales, in the second quarter of 2009.

Gross research and development expenses totaled US\$9.3 million, or 21.4% of sales, in the third quarter of fiscal 2009 compared to US\$8.8 million, or 18.2% of sales, in the third quarter of 2008 and US\$8.8 million, or 19.0% of sales, in the second quarter of 2009.

Net R&D expenses totaled US\$7.8 million, or 17.8% of sales, in the third quarter of fiscal 2009 compared to US\$7.4 million, or 15.2% of sales, in the same period last year and US\$7.3 million, or 15.8% of sales, in the second quarter of 2009.

Third-Quarter Business Highlights

Market expansion – EXFO's sales decreased 10.2% year-over-year to US\$43.6 million in the third quarter of 2009. Telecom Division sales were down 8.9% year-over-year, while Life Sciences & Industrial Division sales were more affected by the global recession with a year-over-year decrease of 20.0%. EXFO's top customer accounted for 10.8% of sales in the third quarter and its top three customers 22.2%. After nine months into fiscal 2009, the company's top customer represented 11.6% of sales and its top three customers 18.9%.

Profitability – GAAP net loss amounted to US\$23.3 million, or US\$0.39 per diluted share, in the third quarter of 2009 largely due to a non-cash charge of US\$21.7 million for impairment of goodwill and an unfavorable Canada/US

exchange rate. On the other hand, the company generated US\$1.8 million in cash flows from operating activities in the third quarter of 2009 and US\$15.5 million since the beginning of the fiscal year.

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Innovation – EXFO launched an unprecedented 11 new products in the third quarter and 23 since the beginning of fiscal 2009. Key product launches in the third quarter included a portable test solution for characterizing 100 Gbit/s Ethernet and 40/43 Gbit/s SONET/OTN networks; 1 Gbit/s and 10 Gbit/s test heads for carrier Ethernet and mobile backhaul testing applications in Service Assurance; IPv6 testing capabilities across the company's Transport and DataCom product portfolio; and the next-generation FTB-500 multi-layer platform for high-end test applications in the field and central office. Sales from products that have been on the market two years or less accounted for 40.6% of total sales in the third quarter of 2009 and 38.3% since the beginning of fiscal 2009.

Business Outlook

Given the current challenging economic environment and typical seasonality of the summer months, EXFO forecasted sales between US\$33 million and US\$38 million and GAAP net loss between US\$0.10 and US\$0.06 per diluted share for the fourth quarter of 2009. GAAP net loss includes US\$0.04 per share in after-tax amortization of intangible assets, after-tax restructuring expenses and stock-based compensation costs.

This guidance was established by management based on existing backlog as of the date of this press release, expected bookings for the remaining of the quarter, as well as stability in exchange rates compared to the end of 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 third quarter of fiscal 2009. To listen to the conference call and participate in the question period via telephone, dial 1-416-620-5690. 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 July 7, 2009. The replay number is 1-402-977-9141 and the reservation number is 21424856. 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 the effect of the actual worldwide recession on the telecom market for our customers and suppliers; fluctuating exchange rates and our ability to execute in these uncertain conditions; consolidation in the global telecommunications test, measurement and service assurance industry; capital spending levels in the telecommunications, life sciences and high-precision assembly sectors; concentration of sales; 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 condition. 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

Vance Oliver

Manager, Investor Relations

(418) 683-0913, Ext. 3733

vance.oliver@exfo.com

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Interim Consolidated Balance Sheet

(in thousands of US dollars)

	As at May 31, 2009	As at August 31, 2008
	(unaudited)	
Assets		
Current assets		
Cash	\$ 11,083	\$ 5,914
Short-term investments	53,412	81,626
Accounts receivable (note 5)		
Trade	32,295	31,473
Other	2,997	4,753
Income taxes and tax credits recoverable	4,263	4,836
Inventories (note 6)	32,999	34,880
Prepaid expenses	2,034	1,774
Future income taxes	9,115	9,140