

HELIX TECHNOLOGY CORP  
Form 10-Q  
April 29, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 April 1, 2005,

or

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

For the transitional period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-6866

HELIX TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State of Incorporation)

04-2423640

(I.R.S. Employer Identification No.)

Mansfield Corporate Center

Nine Hampshire Street

Mansfield, Massachusetts

(Address of principal executive offices)

02048-9171

(Zip Code)

(508) 337-5500

(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 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of shares outstanding of the registrant's Common Stock, \$1 par value, as of April 1, 2005, was 26,117,979.

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HELIX TECHNOLOGY CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

HELIX TECHNOLOGY CORPORATION

CONSOLIDATED BALANCE SHEETS

*(unaudited)*

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(in thousands except share data)	April 1, 2005	December 31, 2004
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$ 10,252	\$ 6,462
Investments	17,952	69,874
Receivables - net of allowances	27,653	24,100
Inventories	23,089	21,595
Deferred income taxes	8,006	7,717
Other current assets	3,309	4,327
Total current assets	<u>90,261</u>	<u>134,075</u>
Property, plant and equipment at cost	71,519	68,003
Less: accumulated depreciation	<u>(50,110 )</u>	<u>(49,063 )</u>
Net property, plant and equipment	21,409	18,940
Goodwill	29,620	--
Intangible assets, net	13,998	--
Other assets	15,752	16,549
<b>TOTAL ASSETS</b>	<u>\$ 171,040</u>	<u>\$ 169,564</u>

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**LIABILITIES AND STOCKHOLDERS' EQUITY**
**Current:**

Accounts payable	\$ 6,697	\$ 5,951
Payroll and compensation	1,542	1,690
Retirement costs	3,326	3,326
Income taxes	3,706	4,288
Accrued warranty	1,036	414
Other accrued liabilities	4,188	2,248
<b>Total current liabilities</b>	<b>20,495</b>	<b>17,917</b>
Retirement costs	7,016	6,403
Deferred income taxes	1,103	1,103
<b>Total liabilities</b>	<b>28,614</b>	<b>25,423</b>

## Commitments and contingencies (Note 7)

## Stockholders' equity:

Preferred stock, \$1 par value; authorized 2,000,000 shares; issued and outstanding: none	--	--
Common stock, \$1 par value; authorized 60,000,000 shares; issued and outstanding: 26,117,979 in 2005 and 26,114,229 in 2004	26,118	26,114
Capital in excess of par value	76,451	76,413
Retained earnings	37,385	37,745
Accumulated other comprehensive income	2,472	3,869
<b>Total stockholders' equity</b>	<b>142,426</b>	<b>144,141</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 171,040</b>	<b>\$ 169,564</b>

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

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HELIX TECHNOLOGY CORPORATION  
CONSOLIDATED INCOME STATEMENTS

*(unaudited)*


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Three Months Ended

April 1,

April 2,

(in thousands except per share data)	2005	2004
Net sales	\$ 38,896	\$ 40,376
Costs and expenses:		
Cost of sales	23,300	24,576
Research and development	2,907	2,586
Selling, general and administrative	10,582	8,326
	<u>36,789</u>	<u>35,488</u>
Operating income	2,107	4,888
Joint venture income	474	595
Interest income and other, net	121	215
Income before taxes	2,702	5,698
Income tax provision	973	1,026
Net income	<u>\$ 1,729</u>	<u>\$ 4,672</u>
Net income per share:		
Basic	<u>\$ 0.07</u>	<u>\$ 0.18</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.18</u>
Number of shares used in per share calculations:		
Basic	26,115	26,103
Diluted	26,168	26,243

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

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HELIX TECHNOLOGY CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)	Three Months Ended	
	April 1, 2005	April 2, 2004
Cash flows from operating activities:		
Net income	\$ 1,729	\$ 4,672

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,649	1,359
Deferred income taxes	(289 )	--
Other	(349 )	(63 )
Change in operating assets and liabilities, net of acquired assets and liabilities:		
Receivables	735	(3,048 )
Inventories	718	(783 )
Other current assets	1,390	(675 )
Accounts payable	404	1,783
Other accrued expenses	(1,057 )	807
Net cash provided by operating activities	<u>4,930</u>	<u>4,052</u>
Cash flows from investing activities:		
Capital expenditures	(770 )	(496 )
Purchase of investments	(4,199 )	(26,724 )
Sale and maturities of investments	56,154	17,892
Acquisition of Polycold, net of cash acquired	(50,268 )	--
Net cash provided by (used in) investing activities	<u>917</u>	<u>(9,328 )</u>
Cash flows from financing activities:		
Net cash provided by employee stock plans	32	169
Cash dividends paid	(2,089 )	(1,044 )
Net cash used in financing activities	<u>(2,057 )</u>	<u>(875 )</u>
Increase (decrease) in cash and cash equivalents	3,790	(6,151 )
Cash and cash equivalents, beginning of the period	<u>6,462</u>	<u>12,334</u>
Cash and cash equivalents, end of the period	<u>\$ 10,252</u>	<u>\$ 6,183</u>

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

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HELIX TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 - Basis of Presentation

## **Company**

Helix Technology Corporation and its wholly owned subsidiaries (the "Company") is a world leader in the development, manufacture, application and support of innovative vacuum technology solutions for the semiconductor, data storage and flat panel display markets.

## **General**

In the opinion of management, the accompanying unaudited consolidated balance sheets, income statements and cash flows contain all adjustments necessary to present fairly the financial position of the Company at April 1, 2005, and December 31, 2004, and the results of the Company's operations and cash flows for the three-month periods ended April 1, 2005, and April 2, 2004.

The consolidated financial statements included herein have been prepared by the Company, without audit of the three-month periods ended April 1, 2005, and April 2, 2004, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to present fairly the Company's financial position and results of operations. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K.

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, adequacy of reserves, income taxes, valuation of intangible assets and goodwill, and retirement obligations. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

## **Reclassifications**

In 2004, the Company concluded that it was appropriate to classify its auction rate securities as current investments. Previously, such investments had been classified as cash and cash equivalents. The Company made adjustments to its Consolidated Statements of Cash Flows for the three months ended April 2, 2004, to reflect the gross purchases and sales of these securities as investing activities rather than as a component of cash and cash equivalents. This change in classification does not affect cash flows from operations or from financing activities in the previously reported Consolidated Statements of Cash Flows, or the previously reported Consolidated Income Statement.

Certain other reclassifications have been made to the prior year's consolidated financial statements to conform with the current period presentation.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited)*

## Stock Compensation

Options for the purchase of the Company's stock have been granted to officers, directors and key employees under various nonqualified stock option agreements. The Company accounts for these grants under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. If the recognition provisions of Statement of Financial Accounting Standard ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123," had been adopted, the effect on net income and basic and diluted net income per share would have been as follows:

(in thousands except per share data)	Three Months Ended	
	April 1, 2005	April 2, 2004
Net income, as reported	\$ 1,729	\$ 4,672
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(116)	(235)
Pro forma net income	\$ 1,613	\$ 4,437
Earnings per share:		
Basic-as reported	\$ 0.07	\$ 0.18
Basic-pro forma	\$ 0.06	\$ 0.17
Diluted-as reported	\$ 0.07	\$ 0.18
Diluted-pro forma	\$ 0.06	\$ 0.17

There were no options granted during the first quarter of 2004. The fair value of each option granted during the first quarter of 2005 is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	2.0%
Expected volatility	58.0%
Risk-free interest rate	4.3%



Expected life (years)

6.3

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## HELIX TECHNOLOGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited)*

## Recent Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 151, "Inventory Costs, An Amendment of ARB No. 43, Chapter 4." This Statement amends ARB No. 43, Chapter 4, to clarify that abnormal amounts of idle facility, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004. The provisions of SFAS No. 151 should be applied prospectively. The Company does not believe SFAS No. 151 will have a material impact on its financial position or results of operations.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment" SFAS No. 123 revised eliminates the alternative to use APB Opinion No. 25's intrinsic value method of accounting that was provided in SFAS No. 123 as originally issued. Under Opinion 25, issuing stock options to employees generally resulted in recognition of no compensation cost. SFAS No. 123 revised requires companies to recognize the cost of employee services received in exchange for equity instruments, based on the grant-date fair value of those instruments (with limited exceptions). SFAS No. 123 revised is effective for public companies for all employee awards of share-based payment granted, modified, or settled in any interim or annual period beginning after June 15, 2005. Companies may choose from one of three methods when transitioning to the new standard, which may include restatement of prior annual and interim periods or no restatement of interim periods prior to the effective date. In April 2005, the SEC announced the adoption of a new rule that amends the compliance dates for SFAS No. 123 revised. The SEC's new rule allows companies to implement SFAS No. 123 revised at the beginning of the next fiscal year that begins after June 15, 2005. Accordingly, the Company will adopt SFAS No. 123 revised as of January 1, 2006 and is in the process of evaluating the impact of this standard on its financial statements.

**Note 2 - Acquisition of IGC Polycold Systems Inc.**

On February 15, 2005, the Company acquired all the issued and outstanding stock of IGC Polycold Systems Inc. ("Polycold"). Polycold is a producer of high-speed water vapor cryopumping and cryogenic cooling products based in Petaluma, California. The Company determin