

Symmetry Medical Inc.
Form 10-Q
November 12, 2008

**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 October 4, 2008

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 Number: 001-32374

SYMMETRY MEDICAL INC.

(Exact name of registrant as specified in its charter)

Delaware 35-1996126
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3724 North State Road 15, Warsaw, Indiana 46582
(Address of principal executive offices) (Zip Code)

(574) 268-2252
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 checkmark 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.

Large accelerated filer

Accelerated filer
Smaller reporting company

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Non-accelerated filer (Do not check if a 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

The number of shares outstanding of the registrant's common stock as of November 7, 2008 was 35,830,638.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1	Financial Statements:	
	Condensed Consolidated Balance Sheets: As of October 4, 2008 and December 29, 2007	4
	Condensed Consolidated Statements of Operations: Three and Nine Months Ended October 4, 2008 and September 29, 2007	5
	Condensed Consolidated Statements of Cash Flows: Nine Months Ended October 4, 2008 and September 29, 2007	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2	Management’s Discussion and Analysis of Results of Operations and Financial Condition	16
Item 3	Quantitative and Qualitative Disclosures about Market Risks	21
Item 4	Controls and Procedures	21

PART II OTHER INFORMATION

Item 1	Legal Proceedings	23
Item 1A	Risk Factors	23
Item 5	Other Information	23
Item 6	Exhibits	23
Signatures		24

Cautionary Note Regarding Forward-Looking Statements

Throughout this Quarterly Report on Form 10-Q or in other reports or registration statements filed from time to time with the Securities and Exchange Commission under the Securities Exchange Act of 1934, or under the Securities Act of 1933, as well as in documents we incorporate by reference or in press releases or oral statements made by our officers or representative, we may make statements that express our opinions, expectations or projections regarding future events or future results, in contrast with statements that reflect historical facts. These predictive statements, which we generally precede or accompany by such typical conditional words such as “anticipate,” “intend,” “believe,” “estimate,” “plan,” “seek,” “project,” “potential,” or “expect,” or by the words “may,” “will,” “could,” or “should,” and similar or terminology are intended to operate as “forward-looking statements” of the kind permitted by the Private Securities Litigation Reform Act of 1995. That legislation protects such predictive statements by creating a “safe harbor” from liability in the event that a particular prediction does not turn out as anticipated.

Forward-looking statements convey our current expectations or forecast future events. While we always intend to express our best judgment when we make statements about what we believe will occur in the future, and although we base these statements on assumptions that we believe to be reasonable when made, these forward-looking statements are not a guarantee of performance, and you should not place undue reliance on such statements. Forward-looking statements are subject to many uncertainties and other variable circumstances, many of which are outside of our control, that could cause our actual results and experience to differ materially from those we thought would occur.

We also refer you to and believe that you should carefully read the “Risk Factors” portion of our Annual Report for fiscal 2007 on Form 10-K, to better understand the risks and uncertainties that are inherent in our business and in owning our securities.

Any forward-looking statements which we make in this report or in any of the documents that are incorporated by reference herein speak only as of the date of such statement, and we undertake no ongoing obligation to update such statements. Comparisons of results between current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

PART I FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

Symmetry Medical Inc.
Condensed Consolidated Balance Sheets

	October 4, 2008	December 29, 2007
	(In Thousands, Except Per Share Data) (unaudited)	
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 17,791	\$ 12,089
Accounts receivable, net	58,825	42,992
Inventories	62,782	45,353
Refundable income taxes	5,105	6,516
Deferred income taxes	3,437	2,551
Derivative valuation asset	917	2
Other current assets	2,364	2,940
Total current assets	151,221	112,443
Property and equipment, net	120,397	100,424
Derivative valuation asset	261	-
Goodwill	153,696	141,985
Intangible assets, net of accumulated amortization	46,800	44,567
Other assets	2,003	1,011
Total Assets	\$ 474,378	\$ 400,430
Liabilities and Shareholders' Equity:		
Current Liabilities:		
Accounts payable	\$ 32,250	\$ 34,518
Accrued wages and benefits	12,133	10,922
Other accrued expenses	4,803	8,096
Income tax payable	6,038	2,394
Derivative valuation liability	-	74
Deferred income taxes	352	407
Revolving line of credit	7,477	6,511
Current portion of capital lease obligations	1,393	2,487
Current portion of long-term debt	15,713	10,900
Total current liabilities	80,159	76,309
Deferred income taxes	12,063	12,136
Derivative valuation liability	2,286	1,917
Capital lease obligations, less current portion	3,603	4,032
Long-term debt, less current portion	126,825	68,500
Total Liabilities	224,936	162,894
Commitments and contingencies (Note 9)		
Shareholders' Equity:		
Common Stock, \$.0001 par value; 72,410 shares		

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authorized; shares issued October 4, 2008--35,831;

December 29, 2007--35,444)	4	4
Additional paid-in capital	274,994	272,623
Accumulated deficit	(32,824)	(45,526)
Accumulated other comprehensive income	7,268	10,435
Total Shareholders' Equity	249,442	237,536
Total Liabilities and Shareholders' Equity	\$ 474,378	\$ 400,430

See accompanying notes to condensed consolidated financial statements.

Symmetry Medical Inc.
Condensed Consolidated Statements of Operations

	Three Months Ended		Nine Months Ended	
	October 4, 2008	September 29, 2007	October 4, 2008	September 29, 2007
	(In Thousands, Except Per Share Data)			
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	\$ 112,095	\$ 75,823	\$ 323,744	\$ 210,259
Cost of Revenue	86,445	64,511	246,733	172,518
Gross Profit	25,650	11,312	77,011	37,741
Selling, general, and administrative expenses	15,165	9,032	44,474	24,713
Operating Income	10,485	2,280	32,537	13,028
Other (income) expense:				
Interest expense	2,683	1,808	8,300	5,001
Derivatives valuation (gain)/loss	(972)	1,372	(1,041)	1,356
Other	3,079	(627)	2,581	(1,290)
Income (loss) before income taxes	5,695	(273)	22,697	7,961
Income tax expense	3,162	814	9,995	2,738
Net income (loss)	\$ 2,533	\$ (1,087)	\$ 12,702	\$ 5,223
Net income (loss) per share:				
Basic	\$ 0.07	\$ (0.03)	\$ 0.36	\$ 0.15
Diluted	\$ 0.07	\$ (0.03)	\$ 0.36	\$ 0.15
Weighted average common shares and equivalent shares outstanding:				
Basic	35,174	35,130	35,161	35,074
Diluted	35,402	35,130	35,354	35,255

See accompanying notes to condensed consolidated financial statements.

Symmetry Medical Inc.
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
	October 4, 2008	September 29, 2007
	(In Thousands)	
	(unaudited)	(unaudited)
Operating activities		
Net Income	\$ 12,702	\$ 5,223
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	14,151	13,139
Amortization	2,207	1,595
Foreign currency transaction (gain) loss	4,483	(756)
Net (gain) loss on sale of assets	(460)	(382)
Deferred income tax provision	(1,074)	(2,333)
Excess tax benefit from stock-based compensation	(273)	(844)
Stock-based compensation	1,743	255
Derivative valuation change	(895)	(128)
Change in operating assets and liabilities:		
Accounts receivable, net	(18,035)	(3,670)
Other assets	(480)	1,414
Inventories	(11,906)	12
Current income taxes	4,448	(358)
Accounts payable	690	9,119
Accrued expenses and other	(2,355)	3,332
Net cash provided by operating activities	4,946	25,618
Investing activities		
Purchases of property and equipment	(16,813)	(7,204)
Proceeds from the sale of property & equipment	1,215	1,731
Acquisition, net of cash received	(46,546)	(32,522)
Net cash used in investing activities	(62,144)	(37,995)
Financing activities		
Proceeds from bank revolver	89,049	56,341