

ULTRA CLEAN HOLDINGS INC

Form 10-Q

November 06, 2009

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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 2, 2009

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 000-50646

Ultra Clean Holdings, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

61-1430858
(I.R.S. Employer
Identification No.)

26462 Corporate Avenue, Hayward, California
(Address of principal executive offices)

94545
(Zip Code)

(510) 576-4400

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 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 (§ 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

Number of shares outstanding of the issuer's common stock as of October 30, 2009: 21,456,897.

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ULTRA CLEAN HOLDINGS, INC.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****ULTRA CLEAN HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

| | October 2, 2009 (Unaudited) | January 2, 2009 |
|--|--------------------------------|-----------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 30,695 | \$ 29,620 |
| Accounts receivable, net of allowance of \$538 and \$406, respectively | 15,515 | 13,790 |
| Inventory | 36,571 | 39,814 |
| Deferred income taxes | | 2,451 |
| Prepaid expenses and other | 5,624 | 8,817 |
| Total current assets | 88,405 | 94,492 |
| Equipment and leasehold improvements, net | 7,363 | 8,954 |
| Other long-term assets: | | |
| Purchased intangibles | 8,987 | 8,987 |
| Other non-current assets | 286 | 4,978 |
| Total assets | \$ 105,041 | \$ 117,411 |
| LIABILITIES & STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Bank borrowings | \$ 1,989 | \$ 5,736 |
| Accounts payable | 23,103 | 11,275 |
| Accrued compensation and related benefits | 1,157 | 2,320 |
| Other current liabilities | 2,747 | 1,964 |
| Total current liabilities | 28,996 | 21,295 |
| Long-term debt | 13,601 | 12,735 |
| Deferred rent and other liabilities | 4,375 | 4,982 |
| Total liabilities | 46,972 | 39,012 |
| Commitments and contingencies (See note 8) | | |
| Stockholders' equity: | | |
| Preferred stock \$0.001 par value, 10,000,000 authorized; none outstanding | | |
| Common stock \$0.001 par value, 90,000,000 authorized; 21,456,897 and 21,287,700 shares issued and outstanding, in 2009 and 2008, respectively | 95,948 | 93,757 |
| Common shares held in treasury, at cost, 601,944 shares | (3,337) | (3,337) |
| Accumulated deficit | (34,542) | (12,021) |
| Total stockholders' equity | 58,069 | 78,399 |

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| | | |
|---|------------|------------|
| Total liabilities and stockholders equity | \$ 105,041 | \$ 117,411 |
|---|------------|------------|

(See accompanying notes to condensed consolidated financial statements.)

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| | Three months ended | | Nine months ended | |
|---|--------------------|--------------------|-------------------|--------------------|
| | October 2, 2009 | September 26, 2008 | October 2, 2009 | September 26, 2008 |
| Sales | \$ 41,324 | \$ 60,128 | \$ 86,976 | \$ 219,849 |
| Cost of goods sold | 38,041 | 54,660 | 87,417 | 194,799 |
| Gross profit (loss) | 3,283 | 5,468 | (441) | 25,050 |
| Operating expenses: | | | | |
| Research and development | 771 | 484 | 2,435 | 1,875 |
| Sales and marketing | 1,027 | 1,464 | 3,222 | 4,424 |
| General and administrative | 3,250 | 5,828 | 12,109 | 18,710 |
| Total operating expenses | 5,048 | 7,776 | 17,766 | 25,009 |
| Income (loss) from operations | (1,765) | (2,308) | (18,207) | 41 |
| Interest and other income (expense), net | 189 | 236 | 612 | 826 |
| Loss before provision for income taxes | (1,954) | (2,544) | (18,819) | (785) |
| Income tax provision (benefit) | (536) | (616) | 3,702 | (584) |
| Net loss | \$ (1,418) | \$ (1,928) | \$ (22,521) | \$ (201) |
| Net loss per share: | | | | |
| Basic | \$ (0.07) | \$ (0.09) | \$ (1.05) | \$ (0.01) |
| Diluted | \$ (0.07) | \$ (0.09) | \$ (1.05) | \$ (0.01) |
| Shares used in computing net loss per share | | | | |
| Basic | 21,419 | 21,708 | 21,363 | 21,639 |
| Diluted | 21,419 | 21,708 | 21,363 | 21,639 |

(See accompanying notes to condensed consolidated financial statements.)

Table of Contents**ULTRA CLEAN HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited; in thousands)**

| | Nine months ended | |
|--|-------------------|--------------------|
| | October 2, 2009 | September 26, 2008 |
| Cash flows from operating activities: | | |
| Net loss | \$ (22,521) | \$ (201) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,802 | 3,964 |
| Deferred income tax | 7,363 | (1,030) |
| Excess tax benefit from stock-based compensation | | (93) |
| Changes in goodwill | | 133 |
| Stock-based compensation | 2,133 | 2,773 |
| Changes in assets and liabilities: | | |
| Accounts receivable, net of allowance | (1,725) | 6,028 |
| Inventory | 3,243 | 329 |
| Prepaid expenses and other | 3,193 | (2,036) |
| Other non-current assets | (220) | 124 |
| Accounts payable | 11,807 | (8,689) |
| Accrued compensation and related benefits | (1,163) | 6 |
| Income taxes payable | | 354 |
| Other liabilities | 194 | 4,639 |
| Net cash provided by operating activities | 4,106 | 6,301 |
| Cash flows from investing activities: | | |
| Purchases of equipment and leasehold improvements | (190) | (9,056) |
| Net cash used in investing activities | (190) | (9,056) |
| Cash flows from financing activities: | | |
| Principal payments on capital lease obligations | (18) | (26) |
| Proceeds from bank borrowings | 5,500 | |
| Principal payments on short-term debt | (4,726) | |
| Principal payments on long-term debt | (3,655) | (2,445) |
| Excess tax benefit from stock-based compensation | | 93 |
| Repurchase of common stock | | (1,008) |
| Proceeds from issuance of common stock | 58 | 1,162 |
| Net cash used in financing activities | (2,841) | (2,224) |
| Net increase (decrease) in cash | 1,075 | (4,979) |
| Cash and cash equivalents at beginning of period | 29,620 | 33,447 |
| Cash and cash equivalents at end of period | \$ 30,695 | \$ 28,468 |
| Supplemental items: | | |
| Cash paid during the period for: | | |
| Income taxes paid | \$ | \$ 793 |

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| | | | | |
|--|----|-----|----|-----|
| Interest paid | \$ | 595 | \$ | 830 |
| Non-cash investing activities: | | | | |
| Fixed asset purchases included in accounts payable | \$ | 21 | \$ | 68 |

(See accompanying notes to condensed consolidated financial statements.)

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ULTRA CLEAN HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization, Basis of Presentation and Significant Accounting Policies

Organization Ultra Clean Holdings, Inc. (the Company) is a leading developer and supplier of critical subsystems, producing primarily gas delivery systems, chemical mechanical planarization (CMP) subsystems, chemical delivery modules, frame and top plate assemblies and process modules. The Company serves the semiconductor capital equipment, medical device, research, flat panel and solar industries. The Company's products improve efficiency and reduce the costs of our customers' design and manufacturing processes. The Company's customers are primarily original equipment manufacturers (OEMs) in the industries the Company serves.

Basis of Presentation The unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q include the accounts of the Company and its wholly-owned subsidiaries and have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). This financial information reflects all adjustments which are, in the opinion of the Company, normal, recurring and necessary to present fairly the statements of financial position, results of operations and cash flows for the dates and periods presented. The Company's January 2, 2009 balance sheet data were derived from audited financial statements as of that date. All significant intercompany transactions and balances have been eliminated from the information provided.

The unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the fiscal year ended January 2, 2009, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 19, 2009. The Company's results of operations for the three months ended October 2, 2009 are not necessarily indicative of the results to be expected for any future periods.

The Company evaluated subsequent events through November 6, 2009, the date of issuance of these condensed consolidated financial statements.

Use of Accounting Estimates The presentation of financial statements in conformity with G