

GREATBATCH, INC.

FORM 8-K (Unscheduled Material Events)

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Address	9645 WEHRLE DRIVE CLARENCE, New York 14031
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Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) April 26, 2006

GREATBATCH, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-16137	16-1531026
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

9645 Wehrle Drive, Clarence, New York 14031
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (716) 759-5600

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

Item 2.02. Results of Operations and Financial Condition

On April 26, 2006, Greatbatch, Inc. (the "Company") issued a press release announcing its results for the fiscal quarter ended March 31, 2006. A copy of the release is furnished with this report as Exhibit 99.1 and is incorporated by reference into this Item 2.02.

The information contained in this report under Item 2.02 is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information contained in this report under Item 2.02 shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release dated April 26, 2006.

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.

Dated: April 26, 2006

GREATBATCH, INC.

By: /s/ Thomas J. Mazza

*Thomas J. Mazza
Senior Vice President and Chief
Financial Officer*

EXHIBIT
NUMBER

DESCRIPTION

99.1

Press Release of Greatbatch, Inc. dated April 26, 2006.

Greatbatch, Inc. Reports Record Quarterly Sales; Increases Sales and Earnings Guidance for 2006; Margins Show Strong Improvement on Solid Sales Growth Over Prior Year

CLARENCE, N.Y.--(BUSINESS WIRE)--April 26, 2006--Greatbatch, Inc. (the "Company") (NYSE: GB) today reported its results for the first quarter ended March 31, 2006.

Business Highlights

- Achieved record quarterly sales for:
- Total Company - sales of \$68.1 million, up 21 percent from \$56.4 million in the first quarter of 2005
- Implantable Medical Components - sales of \$57.6 million, up 20% in the first quarter, driven by strong sales of batteries, feedthroughs and assembly products
- Electrochem Commercial Power - sales of \$10.5 million, up 24% led by strong growth in the oil and gas, ocean and seismic markets
- Diluted earnings per share under U.S. Generally Accepted Accounting Principles (GAAP) increased by 47% to \$0.28. Earnings per share, excluding move-related expenses, severance costs and stock-based compensation under FAS123R, increased by 37% to \$0.37. (See Table A for reconciliation to GAAP).
- Operating margin, excluding move-related expenses, severance costs and stock-based compensation, improved by 470 basis points in the first quarter to 20.1%. (See TableB for reconciliation).
- Facilities update - moves of shield assembly, filtered feedthroughs (Carson City) and feedthroughs (Columbia) to Tijuana are proceeding as planned. Carson City move expected to be complete by the middle of 2006 and Columbia move expected to be complete in 1st half of 2007. Currently working with an existing customer on the planning phase for additional assembly volume to be completed in Q4 2006.
- Signed a new supply agreement with Sorin/ELA. This new comprehensive agreement represents a significant incremental revenue opportunity over the 5-year term, as it includes provisions for all of the Greatbatch technologies. The renewable agreement has an initial term ending on December 31, 2010.
- Raising 2006 full year financial guidance as follows:
- Full year 2006 projected sales are being increased to a range of \$260 - \$270 million
- Full year 2006 Earnings Per Share (EPS) estimates are being increased to a range of \$1.15 - \$1.25, exclusive of charges for move-related expenses and incremental stock-based compensation under FAS123R (see TableA for reconciliation to GAAP).

Edward F. Voboril, Chairman and Chief Executive Officer commented, "We are extremely pleased with the record sales results and the strong start to 2006. We delivered better than expected sales results across the breadth of our medical and commercial products. We experienced solid growth from both our domestic and international customer base, which reflects the strength of our position in these markets. The improving margins reflect greater operating leverage from the increased sales volume. In addition, the consolidation of our medical power manufacturing operations coupled with improved utilization at our Tijuana facility, combined to increase our operating margins in the quarter (exclusive of move-related expenses and stock-based compensation) to approximately 20%. Given the strong start to the year, we are increasing our 2006 financial outlook, for both sales and earnings. We remain confident that the strategic initiatives we have put in place to expand our product offering and reduce our manufacturing costs will allow us to continue to advance our competitive position in the marketplace," Voboril concluded.

Sales Summary

The following table summarizes the Company's sales by business unit and major product line for the first quarters of 2006 and 2005 (in thousands):

Business Unit/Product Lines	2006 1st Qtr	2005 1st Qtr	% Change
Implantable Medical Components ("IMC"):			
ICD Batteries	\$12,679	\$10,751	+18%
Pacemaker & Other Batteries	5,787	5,255	+10%
ICD Capacitors	3,568	4,297	-17%
Feedthroughs	16,288	13,682	+19%

Enclosures	6,340	6,547	-3%
Other Medical	12,918	7,333	+76%
	-----	-----	----
Total Implantable Medical Components	57,580	47,865	+20%
Electrochem Commercial Power ("ECP")	10,527	8,493	+24%
	-----	-----	----
Total Sales	\$68,107	\$56,358	+21%
	=====	=====	

Profit & Loss Summary

The following table summarizes selected information derived from the condensed consolidated statement of operations for the first quarters in 2006 and 2005 (in thousands):

	2006 1st Qtr	2005 1st Qtr	% Change

Gross Profit(1)	\$27,634	\$19,829	+39%
Gross Margin	40.6%	35.2%	
SG&A Expenses	\$9,015	\$6,766	+33%
SG&A Expenses as % of Sales	13.2%	12.0%	
RD&E Expenses, net	\$5,898	\$4,401	+34%
RD&E Expenses, net as % of Sales	8.7%	7.8%	
Operating Income	\$10,052	\$6,274	+60%
Operating Margin	14.8%	11.1%	
Effective Tax Rate	34.5%	30.0%	

(1) Gross profit has been revised to include the effect of amortization of intangible assets, which was previously included in operating expenses below the gross profit calculation.

The increase in gross margin of 540 basis points was primarily due to lower assembly manufacturing costs at the Tijuana facility, reduced excess capacity costs due to the closure of the former capacitor plant and favorable manufacturing volume variances.

The increase in SG&A expenses is primarily due to stock based compensation, increased cost at our Tijuana location, as well as higher selling and marketing related expenses.

The increase in RD&E expenses is primarily due to increased headcount in support of new development programs and decreased reimbursement on new product development projects. RD&E as a percentage of sales is expected to continue to increase to a range of 9% to 10% for the full year 2006, in support of new development initiatives.

Outlook

Considering the first quarter performance, the Company is revising its guidance as follows (in millions, except per share amounts):

	Current	Previous

Sales: Medical	\$224 - \$232	\$210 - \$228
Commercial	\$ 36 - \$ 38	\$ 35 - \$ 37
	-----	-----
Total Sales	\$260 - \$270	\$245 - \$265
GAAP EPS	\$0.60 - \$0.70	\$0.40 - \$0.60
Adjusted EPS	\$1.15 - \$1.25	\$0.95 - \$1.15
Effective tax rate	34%	34%
Capital expenditures	\$22 - \$27	\$22 - \$27

Table A: GAAP EPS Reconciliation

	2006 1st Quarter	2005 1st Quarter	2006 Full Yr Guidance

GAAP earnings per share:	\$0.28	\$0.19	\$0.60 - \$0.70
Carson City facility closure/relocation	0.03	0.01	0.06 - 0.06
Columbia facility closure/relocation	0.02	-	0.17 - 0.18
Medical power facility			

closure/relocation	0.01	-	0.02 - 0.03
Asset dispositions and other	0.01	0.07	0.08 - 0.13
	----	----	-----
Sub-total other operating expense	0.07	0.08	0.33 - 0.40
Incremental stock-based compensation	0.02	-	0.12 - 0.15
Earnings per share - adjusted	\$0.37	\$0.27	\$1.15 - \$1.25
Diluted weighted average shares outstanding (000's)	26,000(1)	22,000	22,000

(1) Includes 4.2 million shares for the dilutive effect of the convertible notes into common stock

Table B: Operating Income Reconciliation (\$000's)

	2006 1st Quarter	2005 1st Quarter	2006 Full Yr Guidance
Operating Income as reported:	\$10,052	\$6,274	\$21,000 - \$26,000
Carson City facility closure/relocation	1,228	195	2,000 - 2,000
Columbia facility closure/relocation	922	-	5,700 - 6,000
Medical power facility closure/relocation	515	33	700 - 1,000
Asset dispositions & other	4	2,160	2,700 - 4,300
	-	----	-----
Sub-total other operating expense	2,669	2,388	11,100 - 13,300
Incremental stock-based compensation (1)	950	-	4,000 - 5,000
Operating Income - adjusted	\$13,671	\$8,662	\$39,500 - \$43,000
Operating margin - adjusted	20.1%	15.4%	15% - 16%

(1) Approximately 80% in SG&A; 12% RD&E; 8% Cost of Sales

Conference Call

The Company will host a conference call today, Wednesday, April 26, 2006 at 5:00 p.m. E.T. to discuss its quarterly results. The scheduled conference call will be webcast live and is accessible through the Company's website at www.greatbatch.com. The webcast will also include presentation visuals. The webcast will be archived on both websites for future on-demand replay. An audio replay will also be available beginning from 7:00 p.m. E.T. on April 26, 2006 until May 5, 2006. To access the replay, dial 888-286-8010 (U.S.) or 617-801-6888 (International) and enter the passcode 41002347.

Forward-Looking Statements

Some of the statements in this press release and other written and oral statements made from time to time by the Company and its representatives are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended, and involve a number of risks and uncertainties. These statements can be identified by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue," or the negative of these terms or other comparable terminology. These statements are based on the Company's current expectations. The Company's actual results could differ materially from those stated or implied in such forward-looking statements. Risks and uncertainties that could cause actual results to differ materially from those stated or implied by such forward-looking statements include, among others, the following matters affecting the Company: dependence upon a limited number of customers; customer ordering patterns; product obsolescence; inability to market current or future products; pricing pressure from customers; our ability to timely and successfully implement our cost reduction and plant consolidation initiatives; reliance on third party suppliers for raw materials, products and subcomponents; fluctuating operating results; inability to maintain high quality standards for our products; challenges to our intellectual property rights; product liability claims; inability to successfully consummate, integrate and protect against liabilities arising from acquisitions; unsuccessful expansion into new markets; competition; inability to obtain licenses to key technology; regulatory changes or consolidation in the healthcare industry; and other risks and uncertainties described in the Company's Annual Report on Form 10-K, and in other periodic filings with the Securities and Exchange Commission. The Company assumes no obligation to update forward-looking information in this press release whether to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial conditions or prospects, or otherwise.

About Greatbatch, Inc.

Greatbatch, Inc. (NYSE: GB) is a leading developer and manufacturer of critical components used in implantable medical devices and other technically demanding applications. Additional information about the Company is available at: www.greatbatch.com.

GREATBATCH, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

(In thousands except per share amounts)

	Three months ended	
	March 31,	
	2006	2005
	-----	-----
Sales	\$68,107	\$56,358
Cost of sales	39,515	35,571
Amortization of intangible assets - cost of sales	958	958
Selling, general and administrative expenses	9,015	6,766
Research, development and engineering costs, net	5,898	4,401
Other operating expense, net	2,669	2,388
	-----	-----
Operating income	10,052	6,274
Interest expense	1,135	1,131
Interest income	(1,192)	(575)
Other (income) expense, net	(44)	-
	-----	-----
Income before income taxes	10,153	5,718
Provision for income taxes	3,503	1,715
	-----	-----
Net income	\$ 6,650	\$ 4,003
	=====	=====
Diluted earnings per share	\$ 0.28	\$ 0.19

GREATBATCH, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

(In thousands)

	March 31, December 31,	
	2006	2005
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,888	\$ 46,403
Short-term investments	66,018	65,746
Accounts receivable, net	39,857	29,997
Inventories	48,200	45,184
Refundable income taxes	-	928
Deferred income taxes	6,257	6,257
Prepaid expenses and other current assets	1,601	1,488
	-----	-----
Total current assets	200,821	196,003
Property, plant, and equipment, net	97,368	97,705
Intangible assets, net	59,185	60,143
Goodwill	155,039	155,039
Other assets	4,399	4,021
	-----	-----
Total assets	\$516,812	\$512,911
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,501	\$ 13,678
Accrued expenses and other current liabilities	19,352	29,903
Current portion of long-term debt	165	464
	-----	-----
Total current liabilities	35,018	44,045
Long-term debt, net of current portion	-	-
Convertible subordinated notes	170,000	170,000
Deferred income taxes	31,969	30,261
	-----	-----
Total liabilities	236,987	244,306

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Stockholders' equity:		
Preferred stock	-	-
Common stock	22	22
Additional paid-in capital	220,158	215,614
Retained earnings	59,690	53,039
Accumulated other comprehensive loss	(45)	(70)
	-----	-----
Total stockholders' equity	279,825	268,605
	-----	-----
Total liabilities and stockholders' equity	\$516,812	\$512,911
	=====	=====

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