

# GREATBATCH, INC.

## FORM 8-K (Current report filing)

Filed 8/7/2007 For Period Ending 8/7/2007

Address	9645 WEHRLE DRIVE CLARENCE, New York 14031
Telephone	716-759-5600
CIK	0001114483
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/29

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# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## 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) August 7, 2007**

**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

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(Address of principal executive offices) (Zip Code)

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

Not Applicable

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(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 August 7, 2007, Greatbatch, Inc. (the "Company") issued a press release announcing its results for the quarter ended June 29, 2007. 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 August 7, 2007.



## 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: August 7, 2007*

*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 August 7, 2007.



## Greatbatch, Inc. Reports Record Quarterly Sales of \$78 million

CLARENCE, N.Y.--(BUSINESS WIRE)--Aug. 7, 2007--Greatbatch, Inc. (the "Company") (NYSE: GB) today reported its results for the second quarter ended June 29, 2007.

### Business Highlights

- Total Company - record sales of \$78.5 million, an increase of 11% compared to \$70.6 million in 2006.
- Implantable Medical Components ("IMC") - record sales of \$67.6 million, an increase of 13% compared to \$59.8 million in 2006, driven by growth of ICD batteries, ICD capacitors and feedthroughs.
- Electrochem Commercial Power ("ECP") - sales of \$10.9 million, which were consistent with last year.
- Acquired Biomec, Inc. for \$11.4 million.
- Biomec is a medical device design and engineering company, located in Cleveland, Ohio.
- Acquired Enpath Medical Inc. for approximately \$105 million.
- Enpath is a medical products company engaged in designing, developing, manufacturing and marketing single use medical device products for the cardiac rhythm management ("CRM"), neuromodulation and interventional radiology markets. Annual sales for 2006 were approximately \$37 million
- Carson City, Nevada plant ceased operations on July 15, 2007 with all manufacturing successfully transferred to the Tijuana facility.
- Columbia, Maryland shutdown scheduled to be completed by the end of the fourth quarter of 2007.
- Electrochem Commercial Power facility expansion initiated and scheduled for completion in mid - 2008.
- Realized pretax gain of \$4.0 million on sale of non-strategic investment.
- Finalized Boston Scientific supply agreement for batteries, capacitors and enclosures through 2010.
- Earnings per share for the quarter were \$0.51, excluding \$0.66 in charges related to the write-off of acquired in-process research and development related to the above mentioned acquisitions, compared to \$0.21 for 2006.

Commenting on the second quarter results, Thomas J. Hook, President & Chief Executive Officer, said: "I'm very pleased with the results for the first half of 2007. We had two consecutive quarters of record sales. This increased sales volume combined with our manufacturing initiatives have led to increased operating margins.

"On a strategic front, we completed two key acquisitions in the quarter. The Biomec acquisition gives us design capabilities and establishes some key clinical relationships in the emerging neurostimulation market. Enpath represents an exciting opportunity that further expands our product and service offerings to the CRM and neurostimulation marketplaces. This acquisition broadens our market reach into the vascular segment with the introducer product line as well as adding several major new OEM customers. These acquisitions are key steps in our long-term growth strategy."

### 2nd Quarter Sales Summary

The following table summarizes the Company's sales by business unit and major product line for the second quarters of 2007 and 2006 (in thousands):

Business Unit/Product Lines	2007 2nd Qtr.	2006 2nd Qtr.	% Change
-----			
Implantable Medical Components ("IMC"):			
ICD Batteries	\$13,741	\$10,994	25%
Pacemaker & Other Batteries	5,903	5,930	0%
ICD Capacitors	7,892	5,339	48%
Feedthroughs	17,010	14,301	19%
Enclosures	5,994	7,105	-16%



Introducers, Catheters and Leads	1,585	-	N/A
Other Medical	15,467	16,087	-4%
	-----	-----	
Total Implantable Medical Components	67,592	59,756	13%
Electrochem Commercial Power ("ECP")	10,870	10,842	0%
	-----	-----	
Total Sales	\$78,462	\$70,598	11%
	=====	=====	

## 2nd Quarter Profit & Loss Summary

The following table summarizes selected information derived from the condensed consolidated statements of operations for the second quarters in 2007 and 2006 (in thousands):

	2007 2nd Qtr.	2006 2nd Qtr.	% Change
-----	-----	-----	-----
Cost of Sales	\$46,756	\$43,821	7%
Cost of Sales as % of Sales	59.6%	62.1%	
SG&A Expenses	\$10,735	\$9,865	9%
SG&A Expenses as % of Sales	13.7%	14.0%	
RD&E Expenses, net	\$6,981	\$6,142	14%
RD&E Expenses, net as % of Sales	8.9%	8.7%	
Operating Income	\$(6,351)	\$7,127	-189%
Operating Margin	-8.1%	10.1%	
Effective Tax Rate	NA	34.5%	

The cost of sales percentage decreased from last year primarily due to favorable mix- and volume- related variances. Sales were higher in the product lines that typically carry better margins.

The increase in SG&A expenses is primarily due to higher sales & marketing expenses and the inclusion of Enpath operations for two weeks.

The increase in net RD&E expenses is primarily due to a planned increase in spending on new development programs.

The other operating expense in the current quarter consists of:

-- Carson City and Columbia closures/relocations	\$ 1.6 million
-- ECP building expansion	\$ 0.1 million
-- Asset dispositions and other	\$ 0.3 million

As a result of \$16.1 million of the in-process research and development write-off not being deductible for tax purposes, the effective tax rate for 2007 is now expected to be approximately 47.5%.

## Full-Year 2007 Financial Guidance

We are increasing our sales guidance by \$20 million to \$25 million to reflect the inclusion of six months of Enpath sales and increased sales to CRM customers.

We are increasing our adjusted guidance by a net of \$0.16 per share based on our strong first half results. This is net of increased hiring and manpower costs related to investment in development projects primarily in the areas of MRI compatibility, leads and other technologies in the range of \$0.05 and \$0.08.

Our GAAP EPS guidance for 2007 has been decreased by approximately \$0.62, which includes the write-off of in-process research and development related to the acquisitions of Biomec and Enpath of \$0.72 and \$0.04 for other acquisition related adjustments.

	Current	Previous
-----	-----	-----
Sales (000's)	\$320,000 - \$325,000	\$295,000 - \$305,000
GAAP EPS (1)(4)	\$0.78 - \$0.82	\$1.40 - \$1.46
EPS - adjusted (1)(2)(3)(4)(5)	\$1.57 - \$1.64	\$1.41 - \$1.48
Diluted weighted average shares outstanding (000's)	24,500	24,500
Effective tax rate	47.5%	32.5%



Capital spending (000's) (6)      \$35,000 - \$45,000      \$35,000 - \$45,000

(1) Includes the impact of stock-based compensation under FAS123(R) of \$0.12 to \$0.15.

(2) Excludes plant relocation/asset dispositions of \$0.14 to \$0.16. Includes continued excess capacity costs associated with delayed closure of filtered feedthrough facility.

(3) Excludes gain on exchange of debentures of \$0.12.

(4) Includes \$0.11 gain on sale of investment realized in Q2 2007.

(5) Excludes write-off of in-process research and development costs of \$0.72 and \$0.04 for other acquisition related adjustments.

(6) Includes expansion of Electrochem Commercial Power facility of approximately \$20 million.

**Table A: Operating Income Reconciliation (in thousands):**

	2007 2nd Qtr.	2006 2nd Qtr.	2007 YTD	2006 YTD
Operating income (loss) as reported:	\$ (6,351)	\$ 7,127	\$ 4,255	\$ 17,179
In-process Research and Development	18,353	-	18,353	-
Sub-total	12,002	7,127	22,608	17,179
Adjustments:				
Carson City facility closure/relocation	188	850	574	2,078
Columbia facility closure/relocation	1,372	1,410	2,675	2,333
Medical power facility closure/relocation	-	52	-	567
ECP building expansion	145	-	282	-
Asset dispositions & other	283	540	(10)	534
Corporate development expenses	-	791	-	800
Operating Income - adjusted	\$ 13,990	\$ 10,770	\$ 26,129	\$ 23,491
Operating margin - adjusted	17.8%	15.3%	16.8%	16.9%

**Table B: Net Income Reconciliation (in thousands):**

	2007 2nd Qtr.	2006 2nd Qtr.	2007 YTD	2006 YTD
Net income (loss) as reported:	\$ (3,399)	\$ 4,843	\$ 7,270	\$ 11,493
In-process Research and Development	17,621	-	17,621	-
Remaining tax cost for IPR&D	(3,152)	-	(3,152)	-
Sub-total	11,070	4,843	21,739	11,493
Adjustments:				
Carson City facility closure/relocation	127	561	387	1,371
Columbia facility closure/relocation	926	931	1,806	1,540
Medical power facility closure/relocation	-	34	-	374
ECP building expansion	98	-	190	-
Asset dispositions & other	191	356	(7)	352
Corporate development expenses	-	522	-	528
Sub-total	12,412	7,247	24,115	15,658
Gain on extinguishment of debt	-	-	(3,019)	-
Net income adjusted	\$ 12,412	\$ 7,247	\$ 21,096	\$ 15,658



**Note:**

- 1) Tax Rate utilized was 34% for 2006 and 32.5% for 2007 except for the IPR&D write-off.  
 2) 2nd quarter 2007 includes \$2.7 million in net after tax gain on sale of investment.

**Table C: GAAP EPS Reconciliation:**

	2007 2nd Qtr.	2006 2nd Qtr.	2007 YTD	2006 YTD
Diluted EPS as reported:	\$ (0.15)	\$ 0.21	\$ 0.33	\$ 0.50
In-process Research and Development	0.80	-	0.80	-
Remaining tax cost for IPR&D	(0.14)	-	(0.14)	-
Sub-total	0.51	0.21	0.99	0.50
Adjustments:				
Carson City facility closure/relocation	0.01	0.02	0.02	0.05
Columbia facility closure/relocation	0.04	0.04	0.08	0.06
Medical power facility closure/relocation	-	-	-	0.01
ECP building expansion	-	-	0.01	-
Asset dispositions & other	0.01	0.01	-	0.01
Corporate development expenses	-	0.02	-	0.02
Sub-total	0.57	0.30	1.10	0.65
Gain on extinguishment of debt	-	-	(0.14)	-
Diluted EPS adjusted	\$ 0.57	\$ 0.30	\$ 0.96	\$ 0.65

**Note:**

- 1) Tax Rate utilized was 34% for 2006 and 32.5% for 2007 except for the IPR&D write-off.  
 2) 2nd quarter 2007 includes \$0.12 gain on sale of investment.  
 3) Assumes shares outstanding of 22 million for 2007 and 26 million for 2006

**Conference Call**

The Company will host a conference call on Wednesday, August 8, 2007 at 8:00 a.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](http://www.greatbatch.com). An audio replay will also be available beginning from 11:00 a.m. E.T. on August 8, 2007 until August 15, 2007. To access the replay, dial 888-286-8010 (U.S.) or 617-801-6888 (International) and enter the passcode 11475636.

**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 and integrate 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 medical devices for the cardiac rhythm management, neurostimulation and interventional radiology markets. Additionally, Greatbatch supplies commercial power sources for other technically demanding applications. Additional information about the Company is available at [www.greatbatch.com](http://www.greatbatch.com).

**GREATBATCH, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - Unaudited**  
(In thousands except per share amounts)

	Three months ended		Six months ended	
	June 29, 2007	June 30, 2006	June 29, 2007	June 30, 2006
Sales	\$ 78,462	\$ 70,598	\$155,322	\$138,705
Cost and expenses:				
Cost of sales - excluding amortization of intangible assets	45,762	42,863	93,050	82,378
Cost of sales - amortization of intangible assets	994	958	1,942	1,916
Selling, general and administrative expenses	10,735	9,865	20,768	18,880
Research, development and engineering costs, net	6,981	6,142	13,433	12,040
Acquired in-process research and development	18,353	-	18,353	-
Other operating expense, net	1,988	3,643	3,521	6,312
Operating income (loss)	(6,351)	7,127	4,255	17,179
Interest expense	2,089	1,163	3,233	2,298
Interest income	(2,586)	(1,353)	(4,442)	(2,545)
Gain on sale of investment security	(4,001)	-	(4,001)	-
Gain on extinguishment of debt	-	-	(4,473)	-
Other (income) expense, net	102	(76)	86	(120)
Income (loss) before provision for income taxes	(1,955)	7,393	13,852	17,546
Provision for income taxes	1,444	2,550	6,582	6,053
Net income (loss)	\$(3,399)	\$ 4,843	\$ 7,270	\$ 11,493
Earnings (loss) per share:				
Basic	\$ (0.15)	\$ 0.22	\$ 0.33	\$ 0.53
Diluted	\$ (0.15)	\$ 0.21	\$ 0.33	\$ 0.50
Weighted average shares outstanding:				
Basic	22,200	21,800	22,100	21,800
Diluted	22,200	26,200	22,350	26,200

**GREATBATCH, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS - Unaudited**  
(In thousands)

ASSETS	June 29, 2007	December 29, 2006
Current assets:		
Cash and cash equivalents	\$ 81,509	\$ 71,147
Short-term investments available for sale	39,290	71,416
Accounts receivable, net	34,980	31,285
Inventories	63,953	57,667
Refundable income taxes	-	1,569
Deferred income taxes	6,948	5,899
Prepaid expenses and other current assets	3,473	2,343
Total current assets	230,153	241,326
Property, plant, and equipment, net	101,003	91,869
Intangible assets, net	81,292	56,330
Goodwill	207,378	155,039
Other assets	13,671	3,263
Total assets	\$ 633,497	\$ 547,827



# LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 22,898	\$ 12,657
Accrued expenses and other current liabilities	27,658	29,618
	-----	-----
Total current liabilities	50,556	42,275
Convertible subordinated notes	240,506	170,000
Deferred income taxes	30,193	35,859
Other long-term liabilities	141	-
	-----	-----
Total liabilities	321,396	248,134
Stockholders' equity:		
Preferred stock	-	-
Common stock	22	22
Additional paid-in capital	235,644	227,187
Treasury stock	-	(205)
Retained earnings	76,435	69,165
Accumulated other comprehensive income	-	3,524
	-----	-----
Total stockholders' equity	312,101	299,693
Total liabilities and stockholders' equity	\$ 633,497	\$ 547,827
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CONTACT: Greatbatch, Inc.  
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