

BRUSH ENGINEERED MATERIALS INC

FORM 8-K (Current report filing)

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

| | |
|-------------|---|
| Address | 17876 ST. CLAIR AVE. CLEVELAND, Ohio 44110 |
| Telephone | 216-383-4062 |
| CIK | 0001104657 |
| Industry | Metal Mining |
| Sector | Basic Materials |
| Fiscal Year | 12/31 |

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UNITED STATES
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)

August 8, 2007

Brush Engineered Materials Inc.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of incorporation)

001-15885

(Commission File Number)

34-1919973

(IRS Employer Identification No.)

17876 St. Clair Avenue, Cleveland, Ohio

(Address of principal executive offices)

44110

(Zip Code)

Registrant's telephone number, including area code

216-486-4200

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 (see General Instruction A.2. below):

- ☐ 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))
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Item 7.01 Regulation FD Disclosure

On August 8, 2007, Brush Engineered Materials Inc., an Ohio corporation (the “Company”), updated its website with a slide presentation that will be presented by Richard Hipple, Chairman, President and Chief Executive Officer, and John Grampa, Senior Vice President Finance and CFO to investors on August 15, 2007. A copy of the presentation is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

Exhibits:

| <u>Exhibit Number</u> | <u>Description of Exhibit</u> |
|-----------------------|-------------------------------|
| 99.1 | August 2007 Presentation |

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 hereunto duly authorized.

Brush Engineered Materials Inc.

August 8, 2007

By: Michael C. Hasychak
Michael C. Hasychak
Vice President, Treasurer and Secretary



... a leader in creating innovative engineered material solutions and services to make our customers competitive on a global basis

... while enhancing earnings growth and stability by broadening technology, market, and geographic reach

Jefferies 3rd Annual Industrial CEO Summit
August 15, 2007

Forward-Looking Statements

These slides contain (and the accompanying oral discussion will contain) “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by these statements, including health issues, litigation and regulation relating to our business, our ability to achieve profitability, significant cyclical fluctuations in our customers’ businesses, competitive substitutes for our products, risks associated with our international operations, including foreign currency rate fluctuations, energy costs and the availability and prices of raw materials and other factors disclosed in periodic reports filed with the Securities and Exchange Commission. Consequently these forward-looking statements should be regarded as the Company’s current plans, estimates and beliefs.

The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Brush Engineered Materials Inc. Profile

- A leading manufacturer of high performance specialty engineered materials and services ... *an enabling materials technology company*
- Operations, service centers and major office locations in North America, Europe and Asia
- Serving long-term growth oriented global markets from consumer electronics to heavy mining equipment

Brush Engineered Materials

A common culture across our operating companies

- Collaborating with customers worldwide to solve material application challenges ... *with a focus on enabling technology and services*
- "Own" a Niche orientation ... non-commodity
- Focus on global growth and service
- Realigning product and service portfolios towards favorable trends ... targeted to achieve strong profitable growth
- Employees who are *passionately* focused on exceeding customer expectations

Overview

- **Company:** **Brush Engineered Materials Inc.**
founded 1931, publicly traded since 1956
- **NYSE Ticker:** **BW**
- **Shares Outstanding:** **Approximately 20.7million at 6/30/07**
- **Market Cap:** **Approximately \$900 million at 6/30/07**
- **Component of:** **S&P Super Composite 1500**
Russell 2000
S&P Small Cap 600
- **Annual Revenue:** **\$763 million @ 12/31/06, over \$1 billion**
expected in 2007
- **Diluted EPS:** **\$2.45 for 2006 which includes a favorable tax**
valuation allowance benefit of \$1.07, or \$1.38
excluding the allowance
- **Debt to Total**
Capitalization: **11% at 6/30/07**



Second Quarter 2007 Recap

- **Quarterly Revenue**

- Up \$46.5 million or 25% compared to second quarter 2006
- The eighteenth consecutive quarter where sales were higher than the comparable quarter the previous year
- Metal prices accounted for approximately 3% of the sales increase and organic growth was 22%
- International sales 42% of the total

- **EPS**

- Earnings per share of \$0.38 diluted compared to \$0.35 diluted for the second quarter of 2006
- Includes (\$0.15) per share charge related to an isolated production ramp-up quality issue and (\$0.13) per share non-cash lower of cost or market inventory charge due to the decline in the market price of ruthenium
- Partially offsetting these changes is a margin benefit of \$0.14 per share related to the sale of low-cost ruthenium that was in the production system at the beginning of the year
- The net impact of the above three items was (\$0.14) per share

First Half 2007 Recap

- Sales up 36% to \$484 million
- Earnings per share of \$1.50 compares to prior year's \$0.62
- Sales growth, adjusting for metal price increased 31%
- A new first half sales high, even after adjusting for metal price inflation
- Seven consecutive quarters of greater than 20% growth
- Operating profit percentage improves to 7.7% from 5.7%
(excluding non-recurring charges and benefits)

Strong conditions in key markets driving solid sales growth

- Strong sales growth driven by
 - Broad based demand increase and new products
 - Added sales from acquisitions
 - Higher metal prices
- Consumer electronics a primary factor
 - Portable devices, such as cell phones
 - Hard disk drives/data storage
 - Gaming devices
- Industrial products growth another important factor
 - Oil and gas
 - Heavy equipment
 - Aerospace

Advancing the World's Technologies

- Strong customer collaboration ... providing enabling technology solutions and service
- Materials that meet design challenges requiring
 - Strength
 - Reliability
 - Electrical conductivity
 - Miniaturization
 - Weight reduction
 - Corrosion resistance
 - Reflectivity
 - Thermal conductivity
- Targeting growth applications in growing markets

Typical End Uses



Notebook and
network computers

Cellular phones, I-Pods and other
wireless communication devices



Electronic components
in cars and trucks



Defense



Commercial
Aerospace



Medical
Devices



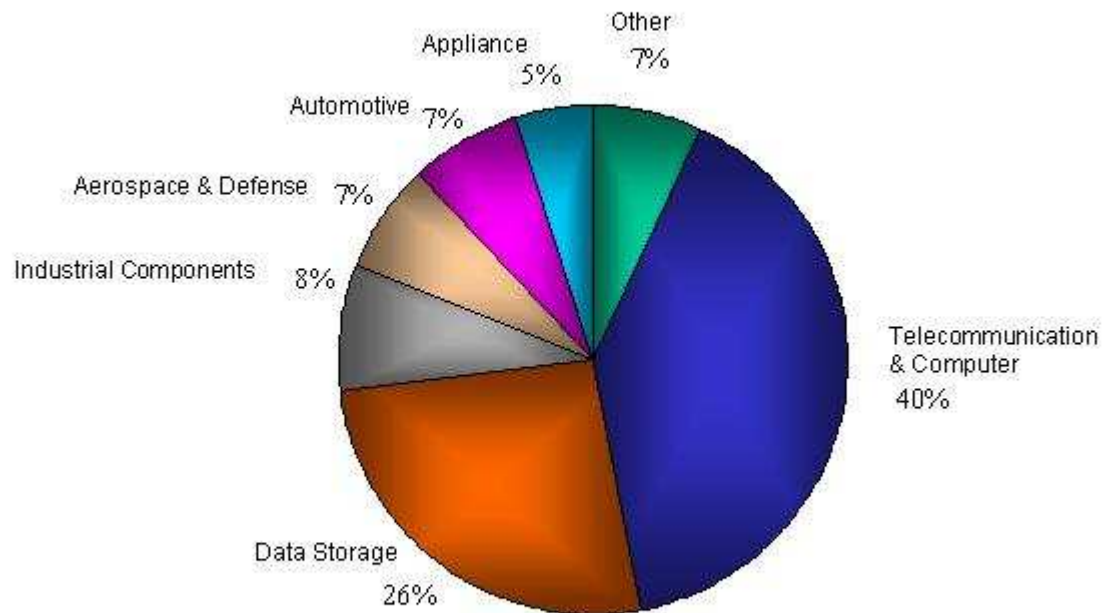
Magnetic Data Storage
for hard disk drives

Industrial products For
Oil & Gas and Mining



Global Leader in High Performance Engineered Materials

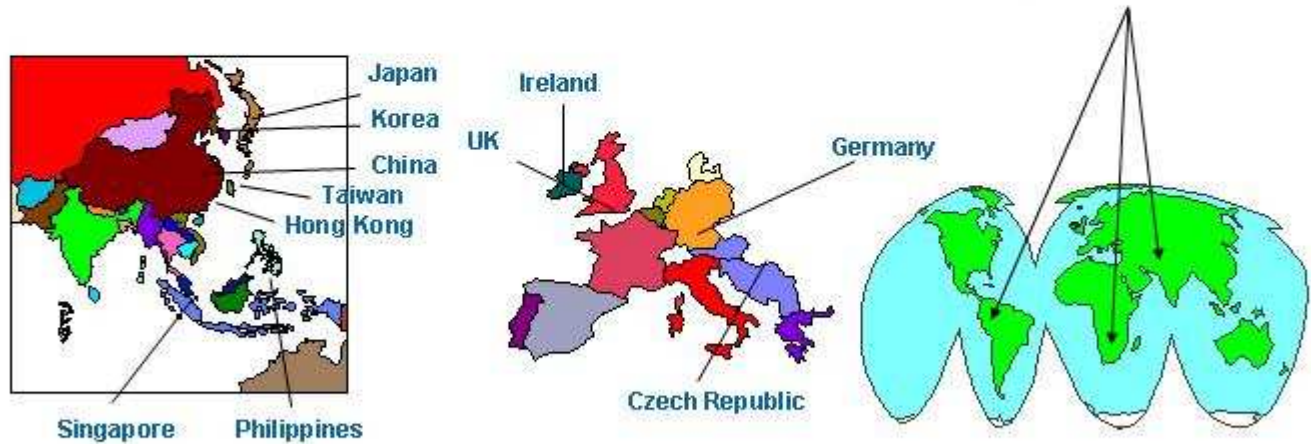
Q2 2007 Revenue by Market



Global Sales and Distribution Network

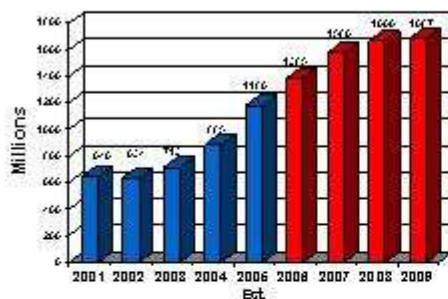
- Operations in the U.S. and eleven foreign countries
- Q-2 2007 International sales were 42% and growing
- Act globally ... service locally!

◀ ----- Asia / Pacific ----- ▶ ◀ ----- Europe ----- ▶ ◀ - Exports from USA - ▶

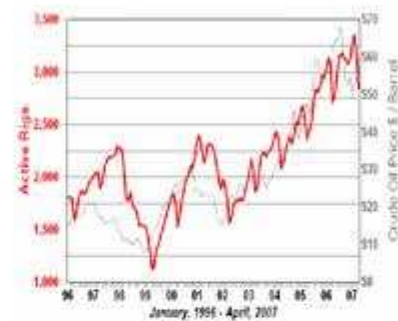


BEM – Targeting Growth Applications in Growing Markets

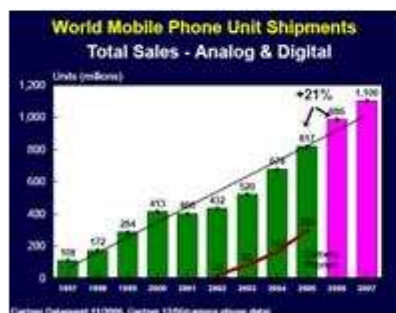
Disk Drive Head Demand



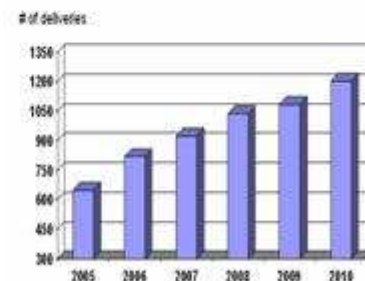
O&G - Rotary Rig Count



Mobile Telecommunications



Build Schedule for Boeing/Airbus



Brush Engineered Materials – Major Business Units

Q-2 2007 Revenue

Advanced Material Technologies and Services

Williams Advanced Materials

PVD Targets
Optical Coatings
Refining
Electronic Packaging

52%

Engineered Material Systems

TMI (Specialty Clad and Plated Strip)

Automotive Connectors
Telecommunications
Consumer electronics

7%

Specialty Engineered Alloys

Alloy (Cu based Be and Ni Alloy)

Electronic Connectors
Industrial Components

33%

Be and Be Composites

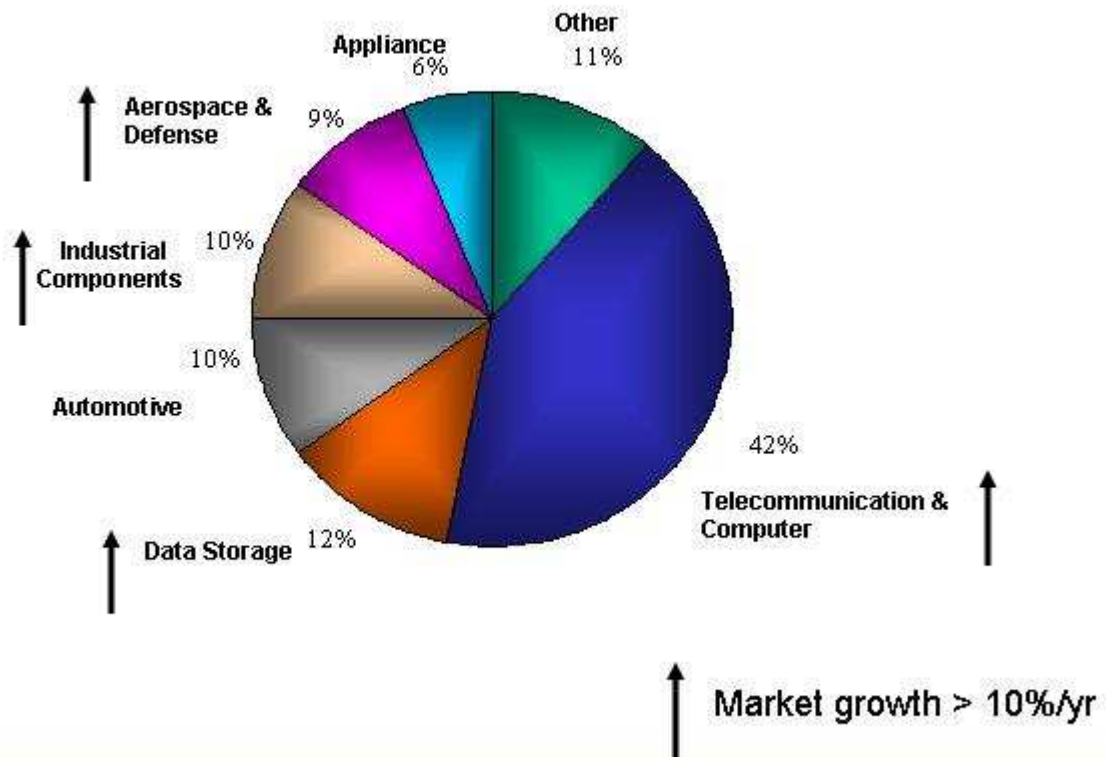
Be Products

Defense/Aerospace
Specialty Commercial Products

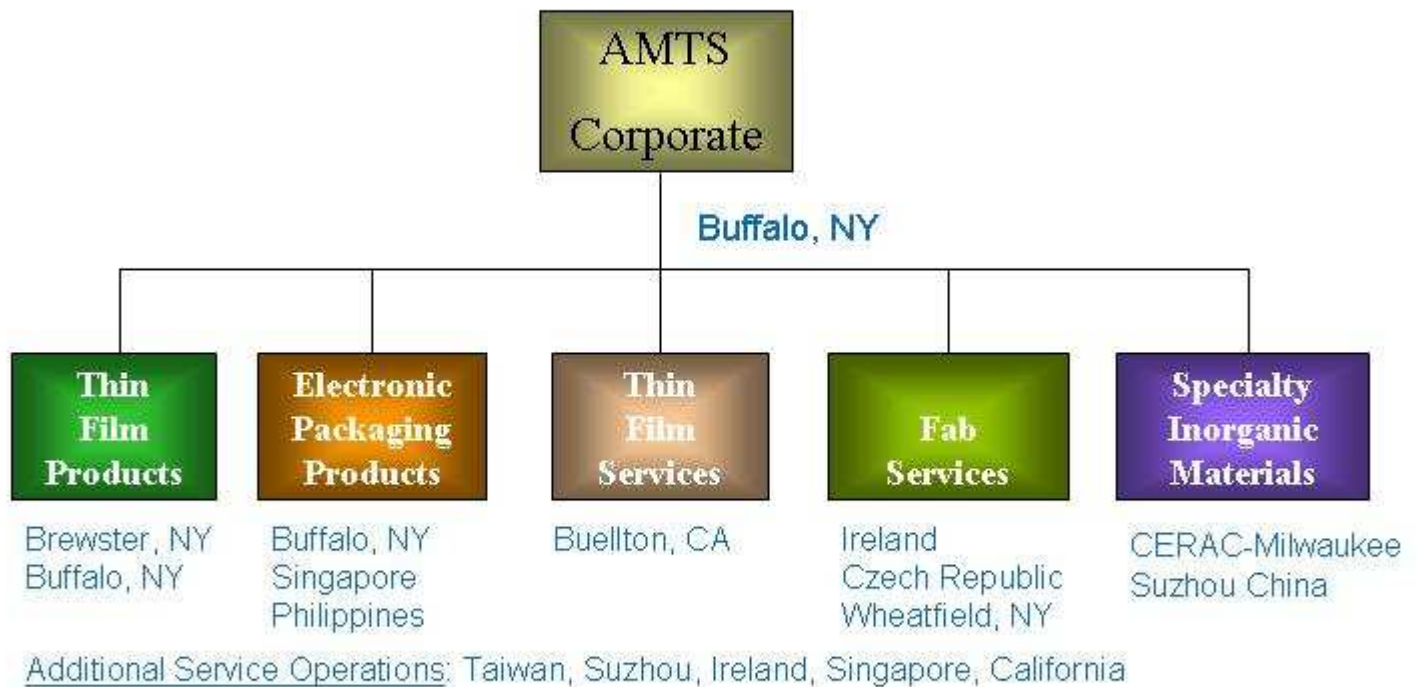
7%

Other 1%

BEM- 2006 Revenue by Market



Advanced Material Technologies and Services Business Structure Today and Evolving



Operating Locations

Williams Advanced Materials also has broad capabilities in precious and non-precious materials

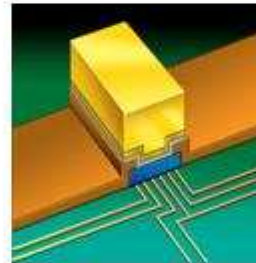
- **Comprehensive product line**

- High purity / proprietary PVD targets
- Micro-electronic packaging materials
- Specialty inorganic chemicals



- **Strong end use markets**

- Data storage
- Wireless/handsets
- semiconductor
- Optical media
- Optics



- **Industry leading service and support**

- Global sales and applications support
- "Best-in-class" response times
- Growing business in chamber services
- Low-cost operations in Singapore, Taiwan and the Philippines
- New offices in Korea, Japan, Shanghai, Czech Republic

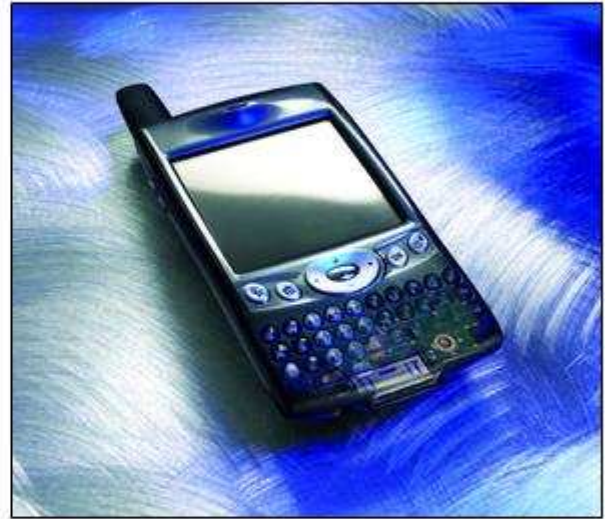
Key Markets – Magnetic Head and Media

- **Thin film materials for both the read/write head and disc platter.**
- **Chamber Services complement materials offering.**
- **Applications growing into many commercial and mobile electronic products.**



Key Markets – Wireless and Photonics

- Thin Film and Packaging materials for varied wireless and photonic applications including RF Power Amplifiers, HBT's, SAW Devices, Light Emitting Diodes (LEDs), Laser Recorders and Micro Electro Mechanical Systems (MEMS)



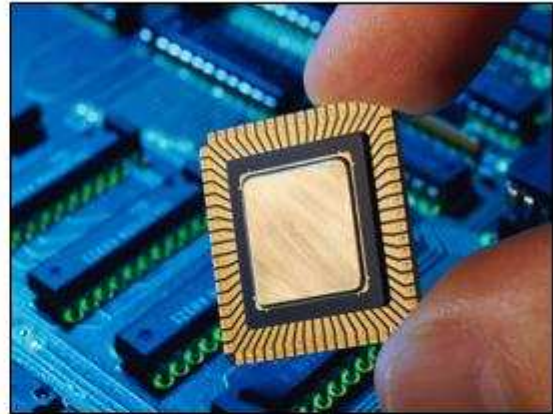
Key Markets – Semiconductor Wafer Fabrication

- Thin film materials and chamber services for silicon wafer and UBM (Under Bump Metallization) technologies.
- Numerous commercial and military microelectronic applications.



Key Markets – Semiconductor Packaging

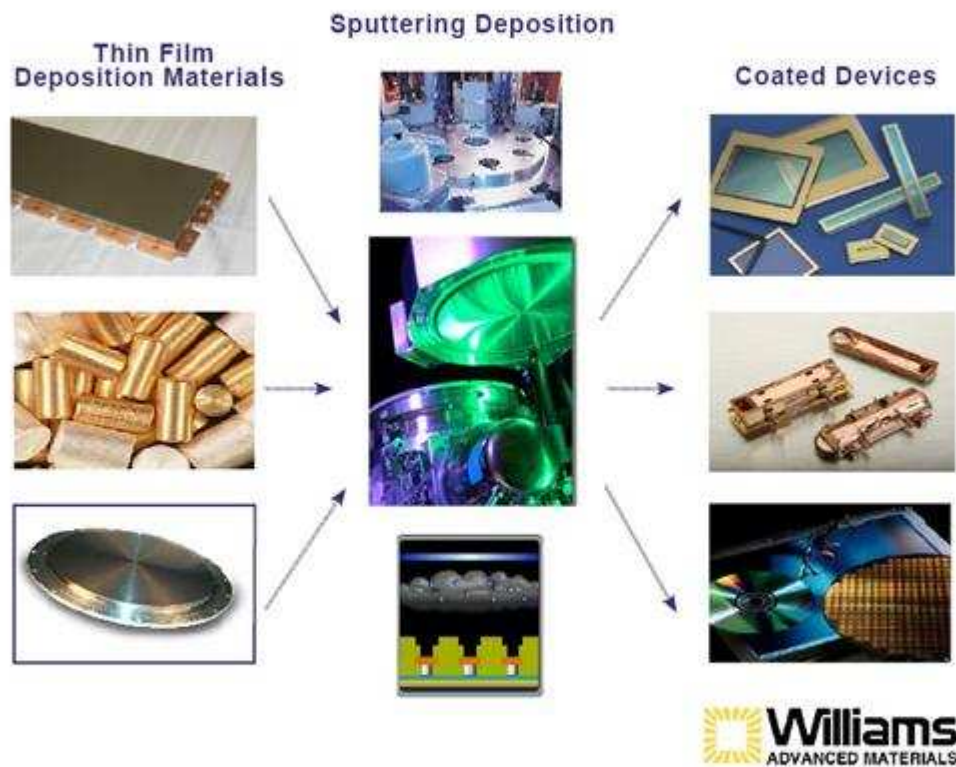
- High reliability semiconductor packaging materials.
- Applications focused in space, military and satellite market segments.



New Product and Technology Development

- **Magnetic Media and Head Materials**
- **Under Bump Metallization (UBM) for Flip Chip**
- **FCCL Materials**
- **Wireless and Photonics**
- **Visi-Lid™ - A transparent lid for New Photonics applications**
- **Expanded refining/chamber services supporting the thin film materials business**
- **Silver Alloys for HD-DVD and Blue Ray Disc manufacturing**
- **Solar Panel Thin Film Materials**
- **MEMS and Photovoltaic Packaging Materials**
- **Nanotechnology Materials**

Physical Vapor Deposition (PVD) Process



World's only Fully Integrated Beryllium Producer

Bertrandite Ore
Mining & Extraction



Delta, UT

Casting, Rolling
& Finishing



Elmore, OH

Thin Gauge Rolling
& Finishing



Reading, PA

Service &
Distribution Centers



Global Network

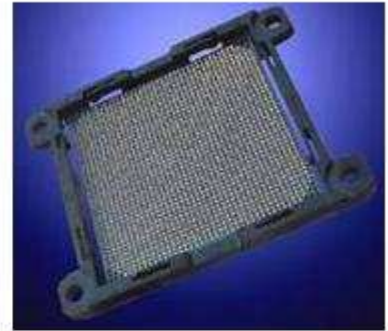
Also, new High Be Pebbles Plant underway with DOD Title III funding

Strip Alloy Applications

(strength, conductivity, spring characteristics ... typically 1% to 2% Beryllium)

Reliability and Miniaturization

- Current Carrying Springs and Relays
- Integrated Circuitry Sockets
- Electrical and Electronic Connectors
- Air Bag Sensors
- Pressure Responsive Devices
- Fire Extinguisher Sprinkler Heads



Bulk Alloy Applications

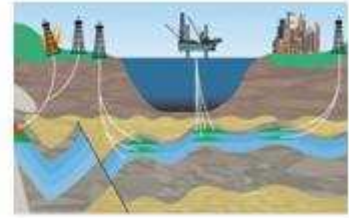
(strength, corrosion resistance, non-galling, conductivity ... typically 1% to 2% Beryllium)

- Aircraft Bushings
- Heavy Equipment Bearing and Wear Applications
- Oilfield well drilling, completion and production equipment
- Plastic Injection & Blow Molds
- Power Generation
- Undersea/Marine Housings for Telecom & Instrumentation
- Welding Electrodes & Dies



Toughmet® - a new unique solution for the most challenging wear and load conditions

- **Oil & Gas...deeper drilling...tougher conditions**
 - Rotary steering drills
 - Sour well drilling and completion tools
 - Sub-sea control valves
 - Blow-out preventions
- **Heavy equipment ... larger equipment ... critical uptime**
 - Heavily loaded bushings in mining and construction
 - On highway drive trains
 - Heavy pumps
 - On highway opportunities
- **Aero ... larger planes ... tougher conditions**
 - Landing gear, wheels, and brakes
 - Airframe attachments
 - Fluid power systems
 - Boeing 777, 787; Airbus 380, 350
 - Military



Replacing bronze, stainless, and nickel alloys

Beryllium Products – Applications

(lightweight, strength, dimensional, stability...typically 40% to 100% Beryllium)

- Optical mirrors for NASA space-based telescopes
- Infrared sensors for fighter jet optical targeting, radar and navigation/guidance systems and special ops (FLIR)
- Structural and electronic components for satellites
- X-ray windows in medical, security and commercial imaging systems
- Diaphragms for commercial and concert quality speaker systems



Technical Materials Inc. – solving customers' problems with engineered strip metals

Mill Products

- Specialty cladding and inlay
- Electron beam welding of dissimilar materials
- Profiling shapes by milling and/or grinding
- Close tolerance rolling

Electroplating

- Precious and non-precious metals
- Overall and selective stripe capabilities
- Combination with current TMI technologies



**Disk
Drive
Arms**

**Automotive
Control
Components**



**Specialty
Electronic
Connectors**

Automotive, Telecom/Computer, Medical, Energy

BEM – Execution Initiatives

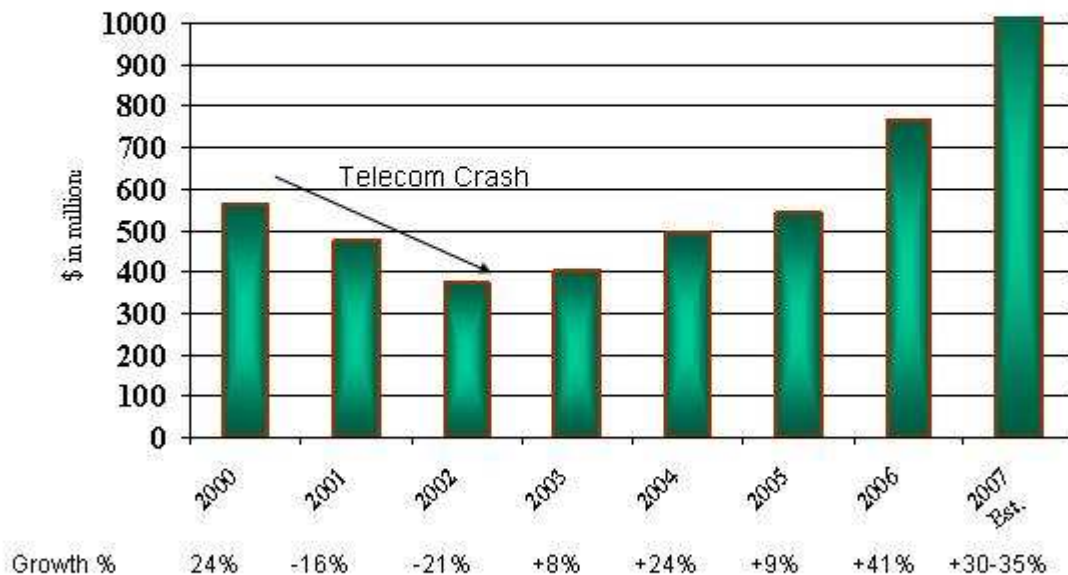
- Organic growth through new products, applications, and services
 - Close collaboration with customers
- Expansion of international base and sales
- Broaden markets and technology
- Leverage above through "smart" acquisitions
- No let up in manufacturing excellence ... Lean Sigma process
- *Having the ability and passion to thrive on change !!!*

New Products – Growing Applications in Growing Markets (all >10% long-term growth expected) ... examples

| Product | Market | Driver | Division |
|---------------------------------|---------------------------------|---------------------------|----------|
| PVD Magnetic Media | Hard Disk Drive | Increase storage capacity | WAM |
| PVD - UMB | Consumer Electronics | Miniaturization | WAM |
| PVD – Evap Pro | Compound Semiconductor | Miniaturization | WAM |
| Chamber Service | PVD Customers | Service demands | WAM |
| PVD - Visilid | Optics | IR Wavelength | WAM |
| Alloy 390 Strip | Portable Elec | Miniaturization and Power | Alloy |
| ToughMet | O&G, Aerospace, Heavy Equipment | Reliability | Alloy |
| Clad Stainless – Aluminum Strip | Hard Disk Drive | Increase storage capacity | TMI |

Annual Revenue: Historical

In 2001, the telecommunications and computer market declined; In 2003, our revenue growth began to return to historical rates



Our on-going value creation initiatives are focused in three key areas

Growth

- Expanding and diversifying the revenue base
 - Targeting niche growth applications in growing markets
 - New product innovation and service
- Ongoing global expansion
- Strategic acquisitions

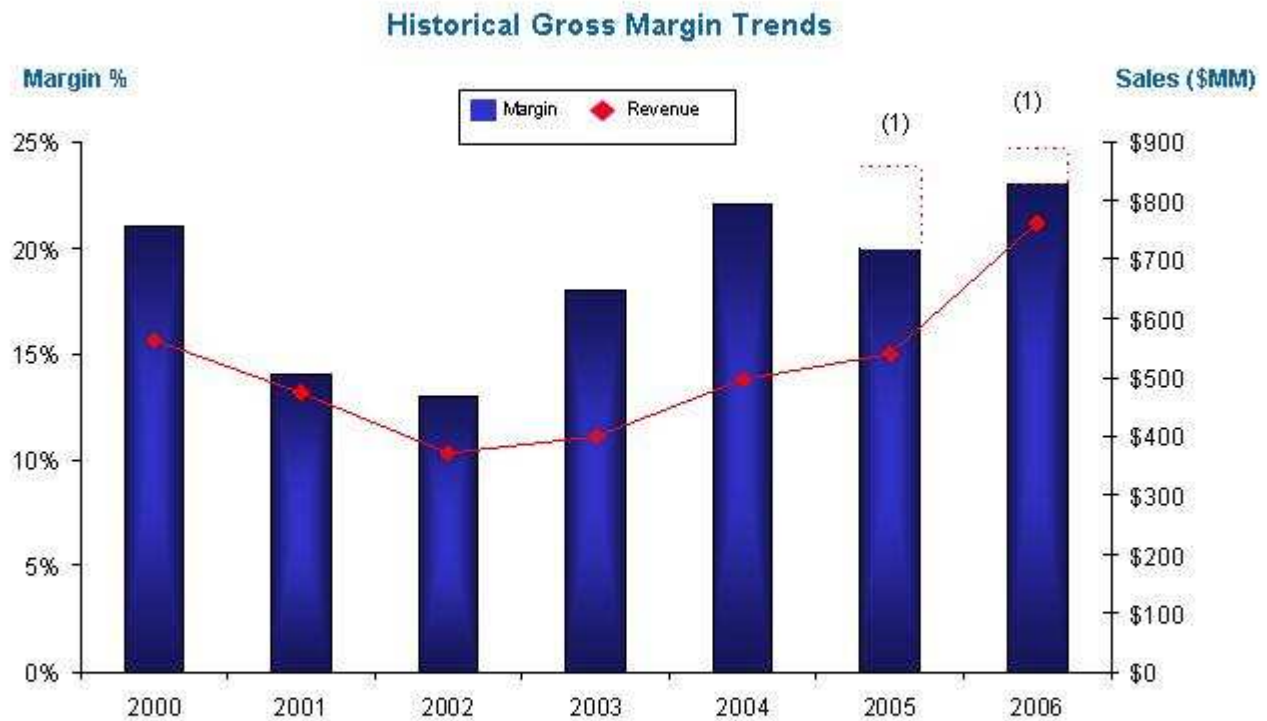
Margin Improvement

- Lean sigma-driven operating efficiency improvement
- New higher value add products
- Cost reductions

Fixed and Working Capital Utilization

- Inventory turn improvement
- Lean sigma-driven factory utilization gains

Margins have improved through cost reduction and productivity improvement initiatives



Q-3 2007 Outlook

- Third quarter 2007 sales are expected to be in the range of \$240.0 to \$250.0 million
 - Up 20% to 25% compared to the prior year
 - Eighth consecutive quarters of greater than 20% growth
- Third quarter 2007 earnings are expected to be in the range of \$0.45 to \$0.55 per share
 - Up 30% to 55% compared to the prior year
 - Excludes 5¢ to 10¢ expected benefit from ruthenium inventory that was in the production system at the beginning of the year

In Summary, we are ...

- **Encouraged by conditions in our key markets and our initiatives to grow sales**
- **Confident about progress we're making with our margin improvement initiatives**
- **Seeing a strong second half of 2007 and solid momentum moving into 2008**

Strategic Highlights

- **Strong, diverse set of markets served**
- **Global market reach**
- **New products and services ... a culture of innovation**
- **Niche oriented product offerings**
- **Acquisitions adding to growth and earnings**
- **Focus on operational excellence paying dividends**
- **Strong cash flow**
- **Strong balance sheet provides liquidity to support growth**

Brush Engineered Materials – Material Solutions for the World's Leading Companies

