

# GREATBATCH, INC.

## FORM 8-K (Current report filing)

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Address	9645 WEHRLE DRIVE CLARENCE, New York 14031
Telephone	716-759-5600
CIK	0001114483
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

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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) July 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

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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 July 26, 2006, Greatbatch, Inc. (the "Company") issued a press release announcing its results for the fiscal quarter ended June 30, 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 July 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: July 26, 2006*

*GREATBATCH, INC.*

*By: /s/ Thomas J. Mazza*

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

EXHIBIT  
NUMBER  
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DESCRIPTION  
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99.1

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

## Greatbatch, Inc. Reports Record Quarterly Sales; Increases Sales and Earnings Guidance for 2006

CLARENCE, N.Y.--(BUSINESS WIRE)--July 26, 2006--Greatbatch, Inc. (the "Company") (NYSE: GB) today reported its results for the second quarter ended June 30, 2006.

### Business Highlights

-- Achieved record quarterly sales for:

-- Total Company - sales of \$70.6 million, up 11% from \$63.5 million in the second quarter of 2005.

-- Implantable Medical Components - sales of \$59.8 million, up 9% from \$54.8 million in the second quarter of 2005.

-- 2005 sales included approximately \$3 million of additional revenue related to customer field actions, primarily impacting ICD batteries and capacitors. Adjusting for this effect, sales increased by 15%. -- The increase was primarily due to sales of new assembly products and continued growth in coated electrodes.

-- Electrochem Commercial Power - sales of \$10.8 million, up 24% led by continued strength in the oil and gas market.

-- Diluted Earnings Per Share (EPS) under U.S. Generally Accepted Accounting Principles (GAAP) were \$0.21. Adjusted EPS, excluding move-related expenses, severance costs and stock-based compensation under FAS123R, were \$0.32. (See Table A for reconciliation to GAAP), which compares to \$0.33 in the second quarter of 2005. The current quarter's results reflect the impact of the planned increase in net RD&E costs of \$2.5 million (pre-tax).

-- Facilities update - The initial planned shield assembly moves have been completed with all quality and financial goals achieved. The final move of the filtered feedthrough product line from Carson City is scheduled to be completed during the third quarter of 2006. The move of the Columbia feedthrough facility is on-going. The construction of the manufacturing area is complete and the class 10,000 clean room is in the process of being validated. This move is scheduled for completion in mid-2007, as originally planned.

-- Raising 2006 full year financial guidance as follows:

-- Full year 2006 projected sales are being increased to a range of \$270 - \$280 million.

-- Full year 2006 EPS estimates are being increased to a range of \$0.70 - \$0.83 from the previous guidance numbers of \$0.60 - \$0.70.

Edward F. Voboril, Chairman and Chief Executive Officer commented, "Our second quarter results reflect the continued strength across both our medical and commercial product lines. This quarter's sales performance came on the heels of a first quarter record. Despite the volatility in our markets, our growth continues, which reflects our success in increasing our competitive position in the marketplace. A key driver in leveraging our earnings growth is the successful completion of our various consolidation initiatives. I'm pleased to report that to date, we continue to meet both our own internal facility consolidation goals as well as the requirements of our customers. These operating initiatives, combined with our new product investments and extensive search for new market opportunities, has us strategically positioned for long-term growth," Voboril concluded.

### Sales Summary

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

Business Unit/Product Lines	2006 2nd Qtr.	2005 2nd Qtr.	% Change
Implantable Medical Components ("IMC"):			
ICD Batteries	\$10,994	\$12,608	-13%
Pacemaker & Other Batteries	5,930	6,315	-6%
ICD Capacitors	5,339	5,954	-10%
Feedthroughs	14,301	15,859	-10%
Enclosures	7,105	6,019	+18%
Other Medical	16,087	8,031	+100%
Total Implantable Medical Components	59,756	54,786	+9%
Electrochem Commercial Power ("ECP")	10,842	8,738	+24%
Total Sales	\$70,598	\$63,524	+11%

### Profit & Loss Summary

The following table summarizes selected information derived from the condensed consolidated statement of operations for the second quarters

in 2006 and 2005 (dollars in thousands):

	2006 2nd Qtr.	2005 2nd Qtr.	% Change
Gross Profit(1)	\$26,777	\$24,161	+11%
Gross Margin	37.9%	38.0%	
SG&A Expenses	\$9,865	\$8,481	+16%
SG&A Expenses as % of Sales	14.0%	13.4%	
RD&E Expenses, net	\$6,142	\$3,657	+68%
RD&E Expenses, net as % of Sales	8.7%	5.8%	
Operating Income	\$7,127	\$8,022	-11%
Operating Margin	10.1%	12.6%	
Effective Tax Rate	34.5%	30.0%	

(1) Gross profit in 2005 has been revised to include the effect of amortization of intangible assets of \$1.0 million, which was previously included in operating expenses below the gross profit calculation. Gross margin remained relatively unchanged from last year as lower manufacturing costs offset unfavorable product mix stemming from higher sales of assembly products and lower medical battery sales volume. The increase in SG&A expenses is primarily due to the expensing of stock options under FAS123R. The increase in net RD&E expenses is primarily due to a planned increase in spending on new research and development programs (\$1.5 million), coupled with lower customer reimbursements for development charges in the current quarter compared to the second quarter last year (\$1.0 million). RD&E as a percentage of sales is expected to continue to increase to a range of 9% to 9.5% for the full year 2006.

#### Outlook

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

	Current	Previous
Sales: Medical	\$231 - \$239	\$224 - \$232
Commercial	\$ 39 - \$ 41	\$ 36 - \$ 38
Total Sales	\$270 - \$280	\$260 - \$270
GAAP EPS	\$0.70 - \$0.83	\$0.60 - \$0.70
Adjusted EPS (excluding move & FAS123R)	\$1.18 - \$1.30	\$1.15 - \$1.25*
Effective tax rate	34%	34%
Capital expenditures	\$ 22 - \$ 27	\$ 22 - \$ 27

\* Previous guidance for Adjusted EPS would have been \$1.08 to \$1.17 assuming 26 million shares outstanding as in the current period.

Table A: GAAP EPS Reconciliation

	2006 2nd Qtr.	2005 2nd Qtr.	2006 Full Yr. Guidance
GAAP EPS:	\$0.21	\$0.23	\$0.70 - \$0.83
Carson City facility closure/relocation	0.02	0.02	0.06 - 0.06
Columbia facility closure/relocation	0.04	-	0.14 - 0.15
Medical power facility closure/relocation	-	0.02	0.02 - 0.02
Asset dispositions and other	0.01	0.06	0.07 - 0.11
Corporate development expenses	0.02	-	0.02 - 0.02
Other operating expense	0.09	0.10	0.31 - 0.36
Incremental stock-based compensation	0.02	-	0.10 - 0.13
EPS - adjusted	\$0.32	\$0.33	\$1.18 - \$1.30
Diluted weighted average shares outstanding (000's)	26,200(1)	26,100(1)	26,200(1)

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

**Table B: Operating Income Reconciliation (dollars in thousands):**

	2006 2nd Qtr.	2005 2nd Qtr.	2006 Full Yr.	Guidance
Operating Income as reported:	\$7,127	\$8,022	\$24,000	-\$28,500
Carson City facility closure/relocation	850	677	2,200	- 2,200
Columbia facility closure/relocation	1,400	-	5,700	- 6,000
Medical power facility closure/relocation	52	818	700	- 1,000
Asset dispositions & other	540	2,506	3,200	- 4,800
Corporate development expenses	801	-	800	- 800
Other operating expense	3,643	4,001	12,600	- 14,800
Incremental stock-based compensation(1)	900	-	4,000	- 5,000
Operating Income - adjusted	\$11,670	\$12,023	\$42,000	-\$48,000
Operating margin - adjusted	16.5%	18.9%	15%	- 17%

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

**Conference Call**

The Company will host a conference call today, Wednesday, July 26, 2006 at 4:30 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](http://www.greatbatch.com). The webcast will also include presentation visuals. The webcast will be archived on the Company's website for future on-demand replay. An audio replay will also be available beginning from 7:00 p.m. E.T. on July 26, 2006 until August 5, 2006. To access the replay, dial 888-286-8010 (U.S.) or 617-801-6888 (International) and enter the passcode 64311831.

**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](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 30, 2006	July 1, 2005	June 30, 2006	July 1, 2005

Sales	\$70,598	\$63,524	\$138,705	\$119,882
Cost and expenses:				
Cost of sales - excluding amortization of intangible assets	42,863	38,405	82,378	73,976
Amortization of intangible assets - cost of sales	958	958	1,916	1,916
Selling, general and administrative expenses	9,865	8,481	18,880	15,247
Research, development and engineering costs, net	6,142	3,657	12,040	8,058
Other operating expense, net	3,643	4,001	6,312	6,389
Operating income	7,127	8,022	17,179	14,296
Interest expense	1,163	1,191	2,298	2,322
Interest income	(1,353)	(652)	(2,545)	(1,227)
Other income, net	(76)	(60)	(120)	(60)
Income before provision for income taxes	7,393	7,543	17,546	13,261
Provision for income taxes	2,550	2,263	6,053	3,978
Net income	\$4,843	\$5,280	\$11,493	\$9,283
Earnings per share:				
Basic	\$0.22	\$0.24	\$0.53	\$0.43
Diluted	\$0.21	\$0.23	\$0.50	\$0.42
Weighted average shares outstanding:				
Basic	21,800	21,600	21,800	21,500
Diluted	26,200	26,100	26,200	25,900

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

ASSETS	June 30, 2006	December 30, 2005
Current assets:		
Cash and cash equivalents	\$44,180	\$46,403
Short-term investments	71,639	65,746
Accounts receivable, net	40,854	29,997
Inventories	51,612	45,184
Refundable income taxes	-	928
Deferred income taxes	5,615	6,257
Prepaid expenses and other current assets	2,929	1,488
Total current assets	216,829	196,003
Property, plant, and equipment, net	96,963	97,705
Intangible assets, net	58,227	60,143
Goodwill	155,039	155,039
Other assets	3,650	4,021
Total assets	\$530,708	\$512,911
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	15,725	13,678
Accrued expenses and other current liabilities	23,730	29,903
Current portion of long-term debt	-	464
Total current liabilities	39,455	44,045
Convertible subordinated notes	170,000	170,000
Deferred income taxes	32,542	30,261
Total liabilities	241,997	244,306
Stockholders' equity:		
Preferred stock	-	-
Common stock	22	22
Additional paid-in capital	221,405	215,614

Retained earnings	64,532	53,039
Accumulated other comprehensive income (loss)	2,752	(70)
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Total stockholders' equity	288,711	268,605
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Total liabilities and stockholders' equity	\$530,708	\$512,911
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CONTACT: Greatbatch, Inc.  
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Treasurer and Director, Investor Relations [tborowicz@greatbatch.com](mailto:tborowicz@greatbatch.com)