

# INTEVAC INC

## **FORM 8-K** (Current report filing)

Filed 07/30/07 for the Period Ending 07/30/07

|             |   |
|-------------|---|
| Address     | 3560 BASSETT STREET<br>SANTA CLARA, CA, 95054               |
| Telephone   | 4089869888  |
| CIK         | 0001001902  |
| Symbol      | IVAC  |
| SIC Code    | 3559 - Special Industry Machinery, Not Elsewhere Classified |
| Industry    | Industrial Machinery & Equipment                            |
| Sector      | Industrials   |
| Fiscal Year | 12/31   |

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**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**

**July 30, 2007**

**Date of Report (date of earliest event reported)**

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**INTEVAC, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**0-26946**  
(Commission File Number)

**94-3125814**  
(IRS Employer  
Identification Number)

**3560 Bassett Street  
Santa Clara, CA 95054**

(Address of principal executive offices)

**(408) 986-9888**

(Registrant's telephone number, including area code)

**N/A**

(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 communication 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 2.02. Results of Operations and Financial Condition

On July 30, 2007, Intevac, Inc. issued a press release reporting its financial results for the three and six months ended June 30, 2007. A copy of the press release issued by the Company concerning the foregoing results is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The foregoing information is intended to be furnished under Item 2.02 of Form 8-K, "Results of Operations and Financial Condition." This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

### Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release

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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.

INTEVAC, INC.

Date: July 30, 2007

By: /s/ CHARLES B. EDDY III  
Charles B. Eddy III  
Vice President, Finance and Administration,  
Chief Financial Officer, Treasurer and  
Secretary

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**EXHIBIT INDEX**

| <b>Exhibit<br/>No</b> | <b>Description</b> |
|-----------------------|--------------------|
| 99.1                  | Press Release      |





3560 Bassett Street, Santa Clara CA 95054

Charles Eddy  
Chief Financial Officer  
(408) 986-9888

Claire McAdams  
Headgate Partners LLC  
(530) 274-0551

### INTEVAC ANNOUNCES RESULTS FOR THE SECOND QUARTER OF 2007

Santa Clara, Calif.—July 30, 2007—Intevac, Inc. (Company) (Nasdaq: IVAC) reported financial results for the quarter and six months ended June 30, 2007.

Net income for the quarter was \$11.6 million, or \$0.52 per diluted share, on 22.1 million weighted-average shares outstanding. Net income included \$1.3 million of stock-based compensation expense, equivalent to \$0.05 per diluted share. Second quarter earnings include the effect of adjusting the Company's 2007 year-to-date income tax provision to an effective tax rate of 26.9%, from the 31.6% tax rate provided for in the first quarter of 2007. For the second quarter of 2006, net income was \$9.3 million, or \$0.42 per diluted share, on 22.0 million weighted average shares outstanding, which included \$695,000 of stock-based compensation expense, equivalent to \$0.03 per diluted share.

Revenues for the quarter were \$72.1 million, including \$68.5 million of Equipment revenues and Imaging revenues of \$3.6 million. Equipment revenues consisted of twelve 200 Lean<sup>®</sup> systems as well as disk lubrication systems, equipment upgrades, spares, consumables and service. Imaging revenues consisted of \$2.5 million of research and development contracts and \$1.1 million of product sales. In the second quarter of 2006, revenues were \$59.5 million, including \$56.4 million of Equipment revenues and \$3.1 million of Imaging revenues, which included \$378,000 of product sales.

Equipment and Imaging gross margins for the second quarter of 2007 rose to 43.1% and 39.5%, respectively, from 36.4% and 25.4% in the second quarter of 2006. Equipment margins improved primarily due to lower manufacturing costs as well as higher sales of spares and upgrades. Imaging margins improved primarily as the result of higher margins on development contracts and products. Consolidated gross margins improved to 42.8% from 35.7% in second quarter 2006.

Operating expenses for the quarter totaled \$17.5 million, or 24.3% of revenues, versus \$11.3 million, or 19.0% of revenues, in the second quarter of 2006. Operating expenses grew primarily as the result of increased spending on development of new Equipment products, increased business development expense and higher stock-based compensation expense.

Net income for the first six months of 2007 was \$21.4 million, or \$0.97 per diluted share, on 22.2 million weighted-average shares outstanding. Net income included \$2.7 million of stock-based compensation expense, equivalent to \$0.09 per diluted share. For the first six months of 2006, net income was \$16.3 million, or \$0.75 per diluted share, on 21.9 million weighted average shares outstanding, which included \$1.1 million of stock-based compensation expense, equivalent to \$0.04 per diluted share.

Revenues for the first six months were \$148.5 million, including \$141.0 million of Equipment revenues and Imaging revenues of \$7.5 million. Equipment revenues consisted of twenty-five 200 Lean<sup>®</sup> systems as well as disk lubrication systems, equipment upgrades, spares, consumables and service. Imaging revenues consisted of \$5.3 million of research and development contracts and \$2.2 million of product sales. In the first six months of 2006,

revenues were \$109.2 million, including \$104.1 million of Equipment revenues and \$5.1 million of Imaging revenues, which included \$879,000 of product sales.

Equipment and Imaging gross margins for the first six months of 2007 increased to 43.2% and 38.0%, respectively, from 35.8% and 25.7% in the first six months of 2006. Equipment margins improved primarily due to lower manufacturing costs as well as higher sales of spares and upgrades. Imaging margins improved primarily as the result of higher margins on development contracts and favorable adjustments related to contract closeouts. Consolidated gross margins improved to 42.8% from 35.3% in first six months of 2006.

Operating expenses for the first six months of 2007 totaled \$37.2 million, or 25.0% of revenues, versus \$22.0 million, or 20.1% of revenues, in the first six months of 2006. Operating expenses grew primarily as the result of increased spending on development of new Equipment products, increased business development expense and higher stock-based compensation expense.

Order backlog totaled \$57.5 million on June 30, 2007, compared to \$92.8 million on March 31, 2007, and \$96.2 million on July 1, 2006. Backlog as of June 30, 2007 includes four 200 Lean<sup>®</sup> systems.

"We are pleased to deliver strong financial results again this quarter, with gross margin and earnings per share exceeding guidance," commented Kevin Fairbairn, president and chief executive officer of Intevac. "In the second quarter we accomplished two milestones of our growth strategy: the official launch of our Lean Etch<sup>™</sup> semiconductor manufacturing system during SEMICON West and approval by the U.S. government to ship large quantities of our digital night vision modules to our NATO customer."

### **Conference Call Information**

The Company will discuss its financial results and outlook in a conference call today at 1:30 p.m. PDT (4:30 p.m. EDT). To participate in the teleconference, please call toll-free (800) 291-8929 prior to the start time. For international callers, the dial-in number is (706) 634-0478. You may also listen live via the Internet at the Company's website, [www.intevac.com](http://www.intevac.com), under the Investors link, or at [www.earnings.com](http://www.earnings.com). For those unable to attend, these web sites will host an archive of the call. Additionally, a telephone replay of the call will be available for 48 hours beginning today at 4:30 p.m. PDT. You may access the playback by calling (800) 642-1687 or, for international callers (706) 645-9291, and providing conference ID 6224367.

### **About Intevac**

Intevac was founded in 1991 and has two businesses: Equipment and Imaging Instrumentation.

**Equipment Business:** Intevac is a leader in the design, manufacture and marketing of high-productivity "lean" manufacturing systems and has been producing "Lean Thinking" platforms since 1994. We are the leading supplier of magnetic media sputtering equipment to the hard disk drive industry and offer leading-edge, high-productivity etch systems to the semiconductor industry.

**Imaging Instrumentation Business:** Intevac is a leader in the development of leading-edge, high-sensitivity imaging products and miniature Raman instruments. We provide sensors, cameras and systems for government applications such as night vision and long-range target identification and we provide cameras and Raman systems to the industrial, physical science and life science markets.

For more information call 408-986-9888, or visit the Company's website at [www.intevac.com](http://www.intevac.com).

*Lean Etch<sup>™</sup> is a trademark, and 200 Lean<sup>®</sup> is a registered trademark, of Intevac, Inc.*

[Financial tables on following pages]

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**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

|   | 3 months ended               |                             | 6 months ended               |                             |
|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
|   | June 30, 2007<br>(Unaudited) | July 1, 2006<br>(Unaudited) | June 30, 2007<br>(Unaudited) | July 1, 2006<br>(Unaudited) |
| <b>Net revenues</b>                               |                              |                             |                              |                             |
| Equipment   | \$ 68,519                    | \$ 56,465                   | \$ 140,965                   | \$ 104,038                  |
| Imaging   | 3,586                        | 3,077                       | 7,514                        | 5,124                       |
| Total net revenues                                | 72,105                       | 59,542                      | 148,479                      | 109,162                     |
| <b>Gross profit</b>                               | 30,827                       | 21,262                      | 63,609                       | 38,568                      |
| <b>Gross margin</b>                               |                              |                             |                              |                             |
| Equipment   | 43.1%                        | 36.4%                       | 43.2%                        | 35.8%                       |
| Imaging   | 39.5%                        | 25.4%                       | 38.0%                        | 25.7%                       |
| Consolidated                                      | 42.8%                        | 35.7%                       | 42.8%                        | 35.3%                       |
| <b>Operating expenses</b>                         |                              |                             |                              |                             |
| Research and development                          | 9,648                        | 6,290                       | 21,840                       | 11,851                      |
| Selling, general and administrative               | 7,839                        | 5,004                       | 15,352                       | 10,118                      |
| Total operating expenses                          | 17,487                       | 11,294                      | 37,192                       | 21,969                      |
| <b>Operating income/(loss)</b>                    |                              |                             |                              |                             |
| Equipment Products                                | 15,842                       | 10,974                      | 30,831                       | 19,454                      |
| Imaging   | (1,515)                      | (1,159)                     | (3,115)                      | (3,028)                     |
| Corporate   | (987)                        | 153                         | (1,299)                      | 173                         |
| Total operating profit                            | 13,340                       | 9,968                       | 26,417                       | 16,599                      |
| <b>Other income</b>                               | 1,538                        | 729                         | 2,858                        | 1,327                       |
| <b>Profit before provision for income taxes</b>   | 14,878                       | 10,697                      | 29,275                       | 17,926                      |
| Provision for income taxes                        | 3,326                        | 1,364                       | 7,878                        | 1,582                       |
| <b>Net income</b>                                 | <u>\$ 11,552</u>             | <u>\$ 9,333</u>             | <u>\$ 21,397</u>             | <u>\$ 16,344</u>            |
| <b>Income per share</b>                           |                              |                             |                              |                             |
| Basic   | \$ 0.54                      | \$ 0.44                     | \$ 1.00                      | \$ 0.78                     |
| Diluted   | \$ 0.52                      | \$ 0.42                     | \$ 0.97                      | \$ 0.75                     |
| <b>Weighted average common shares outstanding</b> |                              |                             |                              |                             |
| Basic   | 21,396                       | 20,987                      | 21,345                       | 20,910                      |
| Diluted   | 22,146                       | 21,972                      | 22,167                       | 21,883                      |

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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)

|   | June 30, 2007<br>(Unaudited) | Dec. 31, 2006     |
|---|------------------------------|-------------------|
| <b>ASSETS</b>                                     |                              |                   |
| <b>Current assets</b>                             |                              |                   |
| Cash, cash equivalents and short term investments | \$ 105,435                   | \$ 95,035         |
| Accounts receivable, net                          | 38,981                       | 39,927            |
| Inventories                                       | 27,870                       | 37,942            |
| Deferred tax assets                               | 4,100                        | 3,269             |
| Prepaid expenses and other current assets         | 2,044                        | 2,506             |
| Total current assets                              | 178,430                      | 178,679           |
| Long term investments                             | 12,000                       | 8,000             |
| Property, plant and equipment, net                | 15,004                       | 13,546            |
| Investment in 601 California Avenue LLC           | 2,431                        | 2,431             |
| Deferred tax assets                               | 1,312                        | 1,312             |
| Goodwill  | 5,434                        | —                 |
| Other long-term assets                            | 2,432                        | 2,035             |
| Total assets                                      | <u>\$ 217,043</u>            | <u>\$ 206,003</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |                              |                   |
| <b>Current liabilities</b>                        |                              |                   |
| Notes payable                                     | \$ 1,945                     | —                 |
| Accounts payable                                  | 9,815                        | \$ 15,994         |
| Accrued payroll and related liabilities           | 8,541                        | 11,769            |
| Other accrued liabilities                         | 7,467                        | 6,612             |
| Customer advances                                 | 15,387                       | 26,243            |
| Total current liabilities                         | 43,155                       | 60,618            |
| Other long-term liabilities                       | 2,787                        | 1,075             |
| <b>Shareholders' equity</b>                       |                              |                   |
| Common stock                                      | 101,346                      | 99,468            |
| Paid in Capital                                   | 10,825                       | 7,319             |
| Accumulated other comprehensive income            | 364                          | 354               |
| Retained earnings                                 | 58,566                       | 37,169            |
| Total shareholders' equity                        | 171,101                      | 144,310           |
| Total liabilities and shareholders' equity        | <u>\$ 217,043</u>            | <u>\$ 206,003</u> |

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**SUPPLEMENTAL INFORMATION REGARDING IMPACT OF THE ADOPTION OF SFAS 123(R)**

(In Thousands, except per share amounts)

(Unaudited)

The effect of recording stock-based compensation for the three- and six-month periods ended June 30, 2007 and July 1, 2006 were as follows:

|  | Three Months Ended |              | Six Months Ended |              |
|--|--------------------|--------------|------------------|--------------|
|  | June 30, 2007      | July 1, 2006 | June 30, 2007    | July 1, 2006 |
| Stock-based compensation by type of award: |                    |              |                  |              |
| Stock options                              | \$ 1,169           | \$ 552       | \$ 2,314         | \$ 896       |
| Employee Stock Purchase Plan               | 214                | 167          | 427              | 283          |
| Amounts capitalized as inventory           | (68)               | (24)         | (72)             | (56)         |
| Total stock-based compensation             | 1,315              | 695          | 2,669            | 1,123        |
| Tax effect on stock-based compensation     | (290)              | (61)         | (718)            | (99)         |
| Net effect on net income                   | <u>1,025</u>       | <u>634</u>   | <u>1,951</u>     | <u>1,024</u> |
| Effect on earnings per share:              |                    |              |                  |              |
| Basic                                      | \$ 0.05            | \$ 0.03      | \$ 0.09          | \$ 0.05      |
| Diluted                                    | \$ 0.05            | \$ 0.03      | \$ 0.09          | \$ 0.04      |

Approximately \$72,000 and \$56,000 of stock-based compensation was capitalized in inventory at June 30, 2007 and July 1, 2006, respectively.