

INTEVAC INC

FORM 8-K (Current report filing)

Filed 02/07/06 for the Period Ending 02/03/06

Address	3560 BASSETT STREET 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

INTEVAC INC

FORM 8-K (Unscheduled Material Events)

Filed 2/7/2006 For Period Ending 2/3/2006

Address	356O BASSETT ST SANTA CLARA, California 95054
Telephone	408-986-9888
CIK	0001001902
Industry	Computer Storage Devices
Sector	Technology
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**

Date of Report (date of earliest event reported): February 3, 2006

INTEVAC, INC.

(Exact name of Registrant as specified in its charter)

State of California
(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 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 1.01. Entry into a Material Definitive Agreement

On February 3, 2006, the Registrant's Board of Directors approved the Executive Incentive Plan, which had been previously recommended to the Board of Directors by the Compensation Committee. The Executive Incentive Plan establishes the criteria, allocations, methodologies and metrics for the payment of annual bonuses, if any, to various management and executive employees of the Registrant. A description of the Executive Incentive Plan is filed as Exhibit 10.1 to this report.

Item 2.02. Results of Operations and Financial Condition

On February 7, 2006, Intevac, Inc. issued a press release reporting its financial results for the three and twelve months ended December 31, 2005. 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

(c) Exhibits

10.1 Description of Executive Incentive Plan.

99.1 Press Release.

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.

INTEVAC, INC.

Date: February 7, 2006

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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Number	Description
10.1	Description of Executive Incentive Plan
99.1	Press Release

Description of Executive Incentive Plan

In order to provide incentive to senior management to maximize profitability for fiscal years beginning 2006 and continuing until the plan is discontinued, Intevac has adopted the Executive Incentive Plan (the "Plan"). The Plan provides for payment of bonuses to eligible executives and senior managers, if the Company achieves positive pretax income in the relevant years.

The total amount available to be paid out under the Plan is determined by a formula based on a percentage of Intevac's pretax profitability for the relevant full year covered by the plan.

Each manager's bonus will be determined by a formula based on four factors:

1. Total amount available under the Plan,
2. Base salary of each manager,
3. Percentage of relevant year individual and division performance objectives achieved, and
4. Target bonus as a percentage of base pay by manager, ranging from 20% to 200%.

Target bonuses for each participating manager are calculated by multiplying each manager's base pay times their target bonus percentage times their percentage of performance objectives achieved. If there is an insufficient amount available under the Plan to pay the target bonuses for all participating managers, then a pro-rata allocation of the total amount available under the Plan will be made based on each individual's target bonus. For example, if the total amount payable for bonuses under the Plan is equal to only half of the total of all target bonus calculations, then each participating manager will receive only half of their target bonus.

Participants in the Plan are not eligible to participate in Intevac's employee profit sharing plan. Bonus payments are anticipated to be made in February of the year following the relevant fiscal year end. The Plan is administered by the Compensation Committee of Intevac's Board of Directors, is not embodied in a formal written document, and is scheduled to continue indefinitely until termination by the Compensation Committee.



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Charles Eddy
 Chief Financial Officer
 (408) 986-9888

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 Silverman Heller Associates
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**INTEVAC INC. REPORTS FINANCIAL RESULTS FOR
 FOURTH-QUARTER, TWELVE MONTHS 2005**

*Third Consecutive Quarter of Profit, Revenue Growth;
 \$16 Million Net Income for Year on Record Equipment Revenues*

Santa Clara, Calif.—February 7, 2006—Intevac, Inc. (Nasdaq: IVAC) reported financial results for the fourth quarter and year ended December 31, 2005.

Revenues for the quarter were \$52.7 million, including \$50.9 million of Equipment revenues and \$1.8 million of Imaging revenues. Equipment revenues consisted of thirteen magnetic media manufacturing systems; disk lubrication systems; equipment upgrades; spares; consumables; and service. Imaging revenues were primarily from research and development contracts. In fourth-quarter 2004, net revenues were \$10.4 million, including \$8.3 million of Equipment revenues and \$2.1 million of Imaging revenues. Equipment revenues for fourth-quarter 2005 increased from the same quarter last year due primarily to sales of a greater number of magnetic media manufacturing systems.

Equipment and Imaging gross margins for the quarter increased to 35.7% and 9.8%, respectively, from 25.4% and 1.9%, respectively, in fourth-quarter 2004. Equipment margins for the quarter improved primarily from lower manufacturing costs and higher average selling prices for 200 Lean systems. Consolidated gross margins improved to 34.9% from 20.7% in fourth-quarter last year.

Operating expenses for the quarter totaled \$8.7 million versus \$5.4 million in fourth-quarter 2004. Operating expenses increased as the result of provisions for employee profit sharing and bonus plans, higher R&D spending in Imaging and Equipment, and higher costs in Equipment related to business development, customer service, and support.

Net income for fourth-quarter 2005 was \$9.9 million, or 46 cents per diluted share on 21.4 million weighted-average shares outstanding, compared to a net loss of \$3.0 million, or 15 cents per share on 20.1 million weighted-average shares outstanding, in the fourth quarter of 2004.

Revenues for 2005 were \$137.2 million, compared to \$69.6 million in 2004. Equipment revenues more than doubled to \$129.3 million from \$60.5 million in the prior year. The increase was attributable to higher sales of magnetic media manufacturing systems and components and the sale of a flat panel manufacturing system and flat-panel technology license. Imaging revenues for 2005 were \$7.9 million compared to \$9.1 million in the prior year due to lower revenues from research and development contracts.

Net income for 2005 was \$16.2 million, or 76 cents per diluted share on 21.2 million weighted-average shares outstanding, compared to a net loss of \$4.3 million, or 22 cents per share on 19.7 million weighted-average shares, for 2004. The improvement in net results was

attributable to an increase in Equipment business gross margins to 33.0% from 24.8% in the prior year, higher sales of magnetic disk manufacturing equipment, the sale of a flat panel technology license, and higher interest income. This increase was partially offset by provisions for employee profit sharing and bonus plans, higher research and development expenses, and increased costs for Equipment-related business development, customer service, and support.

Order backlog totaled \$84.5 million on December 31, 2005, compared to \$65.4 million on October 1, 2005, and \$10.5 million on December 31, 2004. Backlog increased as the result of orders received for 200 Lean systems. Year-end backlog included seventeen 200 Lean systems, and excludes orders for two systems received early in 2006.

Intevac Chief Executive Kevin Fairbairn commented: "I am pleased to report excellent financial results for Intevac during 2005. Our revenues of \$137.2 million were an all time record. We increased gross margins by 9% year over year and achieved a 34.9% gross margin on \$52.7 million of revenue in the fourth quarter. We earned \$16.2 million of net income while we continued to make major investments in the development of a major new equipment product line and our imaging business.

"I would like to thank our customers who put their trust in us by choosing the 200 Lean for their next generation media manufacturing and our employees who worked hard, with personal sacrifice, to double the business for two consecutive years."

Conference Call Information

The Company will discuss its financial results 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, under the Investors link, or at 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 3:30 p.m. PDT. You may access the playback by calling (800) 642-1687 or, for international callers (706) 645-9291, and providing conference ID 4231246.

About Intevac

Intevac is the world's leading supplier of disk sputtering equipment to manufacturers of magnetic media used in hard disk drives and a developer and provider of leading edge extreme low light imaging sensors, cameras and systems. For more information please visit our website at www.intevac.com.

[Financial tables on following pages]

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	3 months ended		12 months ended	
	Dec. 31, 2005 (Unaudited)	Dec. 31, 2004 (Unaudited)	Dec. 31, 2005 (Unaudited)	Dec. 31, 2004 (Unaudited)
Net revenues				
Equipment	\$ 50,888	\$ 8,298	\$ 129,280	\$ 60,490
Imaging	1,811	2,089	7,949	9,125
Total net revenues	52,699	10,387	137,229	69,615
Gross profit	18,368	2,147	43,578	15,856
Gross margin				
Equipment	35.7%	25.4%	33.0%	24.8%
Imaging	9.8%	1.9%	12.0%	9.2%
Consolidated	34.9%	20.7%	31.8%	22.8%
Operating expenses				
Research and development	3,949	2,608	14,384	11,580
Selling, general and administrative	4,799	2,816	14,477	9,525
Total operating expenses	8,748	5,424	28,861	21,105
Operating income/(loss)				
Equipment Products	11,235	(1,500)	20,413	(377)
Imaging	(1,924)	(1,378)	(5,798)	(4,114)
Corporate	309	(399)	102	(758)
Total operating profit/(loss)	9,620	(3,277)	14,717	(5,249)
Other income	563	252	1,855	1,015
Profit/(Loss) before provision for income taxes	10,183	(3,025)	16,572	(4,234)
Provision for income taxes	253	7	421	110
Net income/(Loss)	<u>\$ 9,930</u>	<u>(\$3,032)</u>	<u>\$ 16,151</u>	<u>(\$4,344)</u>
Income (loss) per share				
Basic	\$ 0.48	(\$0.15)	\$ 0.79	(\$0.22)
Diluted	\$ 0.46	(\$0.15)	\$ 0.76	(\$0.22)
Weighted average common shares outstanding				
Basic	20,647	20,145	20,462	19,749
Diluted	21,395	20,145	21,202	19,749

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	Dec. 31, 2005 (Unaudited)	Dec. 31, 2004
Current assets		
Cash, cash equivalents and short term investments	\$ 49,731	\$ 42,034
Accounts receivable, net	42,847	4,775
Inventories – production	21,373	9,120
Inventories – pending acceptance at customer site	3,464	6,255
Prepaid expenses and other current assets	1,814	956
Total current assets	119,229	63,140
Property, plant and equipment, net	7,980	5,996
Long-term investments	—	8,052
Investment in 601 California Avenue LLC	2,431	2,431
Other long-term assets	804	3
Total assets	<u>\$ 130,444</u>	<u>\$ 79,622</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,049	\$ 1,647
Accrued payroll and related liabilities	5,509	1,617
Other accrued liabilities	6,182	2,943
Customer advances	23,136	3,833
Total current liabilities	41,876	10,040
Other long-term liabilities	694	207
Shareholders' equity		
Common stock	97,165	94,802
Accumulated other comprehensive income	238	253
Retained earnings (deficit)	(9,529)	(25,680)
Total shareholders' equity	87,874	69,375
Total liabilities and shareholders' equity	<u>\$ 130,444</u>	<u>\$ 79,622</u>

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