

ENTEGRIS INC
Form 10-Q
October 28, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 1, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-32598

Entegris, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	41-1941551 (I.R.S. Employer Identification No.)
129 Concord Road, Billerica, Massachusetts (Address of principal executive offices)	01821 (Zip Code)
(978) 436-6500	

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 19, 2011
Common Stock, \$0.01 par value per share	135,108,228 shares

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ENTEGRIS, INC. AND SUBSIDIARIES

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Item 1. Financial Statements

ENTEGRIS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

<i>(In thousands, except share data)</i>	October 1, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 227,037	\$ 133,954
Short-term investments	2,046	
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$1,042 and \$1,121	111,150	124,732
Inventories	102,950	101,043
Deferred tax assets, deferred tax charges and refundable income taxes	11,252	11,484
Assets held for sale	5,998	8,182
Other current assets	7,309	7,696
Total current assets	467,742	387,091
Property, plant and equipment, net of accumulated depreciation of \$234,445 and \$219,721	130,206	126,725
Other assets:		
Investments	3,809	7,017
Intangible assets, net	58,848	65,087
Deferred tax assets	10,164	10,855
Other	5,541	4,610
Total assets	\$ 676,310	\$ 601,385
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	28,668	34,631
Accrued payroll and related benefits	30,464	41,392
Other accrued liabilities	18,496	18,111
Deferred tax liabilities and income taxes payable	13,082	13,500
Total current liabilities	90,710	107,634
Pension benefit obligations and other liabilities	19,784	24,761
Deferred tax liabilities and other noncurrent tax liabilities	4,608	4,977
Commitments and contingent liabilities		
Equity:		
Preferred stock, par value \$.01; 5,000,000 shares authorized; none issued and outstanding as of October 1, 2011 and December 31, 2010		
Common stock, par value \$.01; 400,000,000 shares authorized; issued and outstanding shares: 135,062,303 and 132,900,904	1,351	1,329
Additional paid-in capital	780,652	765,867
Retained deficit	(265,927)	(349,612)
Accumulated other comprehensive income	45,132	42,035

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Total Entegris, Inc. shareholders equity	561,208	459,619
Noncontrolling interest		4,394
Total equity	561,208	464,013
Total liabilities and equity	\$ 676,310	\$ 601,385

See the accompanying notes to condensed consolidated financial statements.

Table of Contents**ENTEGRIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share data)	Three months ended		Nine months ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Net sales	\$ 173,014	\$ 178,230	\$ 585,337	\$ 506,316
Cost of sales	98,186	98,374	327,021	276,182
Gross profit	74,828	79,856	258,316	230,134
Selling, general and administrative expenses	33,533	36,478	108,449	108,852
Engineering, research and development expenses	11,957	11,381	36,951	32,937
Amortization of intangible assets	2,505	2,823	7,763	10,459
Operating income	26,833	29,174	105,153	77,886
Interest expense	20	342	755	3,276
Interest income	(58)		(105)	(66)
Other expense (income), net	315	1,283	(1,643)	1,701
Income before income taxes and equity in net earnings of affiliates	26,556	27,549	106,146	72,975
Income tax expense	4,582	5,000	22,550	15,202
Equity in net earnings of affiliates	(14)	(217)	(489)	(485)
Net income	21,988	22,766	84,085	58,258
Less net income attributable to noncontrolling interest		348	400	905
Net income attributable to Entegris, Inc.	\$ 21,988	\$ 22,418	\$ 83,685	\$ 57,353
Amounts attributable to Entegris, Inc.				
Basic net income per common share:	\$ 0.16	\$ 0.17	\$ 0.62	\$ 0.44
Diluted net income per common share:	\$ 0.16	\$ 0.17	\$ 0.62	\$ 0.43
Weighted shares outstanding:				
Basic	134,995	131,903	134,410	131,475
Diluted	136,305	133,071	135,954	132,908

See the accompanying notes to condensed consolidated financial statements.

Table of Contents**ENTEGRIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND COMPREHENSIVE INCOME****(Unaudited)**

<i>(In thousands)</i>	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income	Noncontrolling interest	Total	Entegris, Inc. shareholders comprehensive income	Noncontrolling interests comprehensive income
Balance at December 31, 2009	130,043	\$ 1,300	\$ 751,360	\$ (433,968)	\$ 27,500	\$ 3,465	\$ 349,657		
Shares issued under stock plans	1,851	19	1,644				1,663		
Share-based compensation expense			5,434				5,434		
Tax benefit associated with stock plans			64				64		
Minimum pension liability adjustment, net of tax					(26)		(26)	\$ (26)	\$
Foreign currency translation					12,693	177	12,870	12,693	177
Net income				57,353		905	58,258	57,353	905
Total comprehensive income								\$ 70,020	\$ 1,082
Balance at October 2, 2010	131,894	\$ 1,319	\$ 758,502	\$ (376,615)	\$ 40,167	\$ 4,547	\$ 427,920		

<i>(In thousands)</i>	Common shares outstanding	Common stock	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income	Noncontrolling interest	Total	Entegris, Inc. shareholders comprehensive income	Noncontrolling interests comprehensive income
Balance at December 31, 2010	132,901	\$ 1,329	\$ 765,867	\$ (349,612)	\$ 42,035	\$ 4,394	\$ 464,013		
Shares issued under stock plans	2,161	22	5,634				5,656		
Share-based compensation expense			5,784				5,784		
Tax benefit associated with stock plans			398				398		
Purchase of noncontrolling interest			2,969		562	(5,014)	(1,483)		

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Minimum pension liability adjustment, net of tax			2,444		2,444	\$	2,444	\$
Reclassification of cumulative translation adjustment associated with sale of equity method investee			(1,715)		(1,715)		(1,715)	
Foreign currency translation			1,811	220	2,031		1,811	220
Net change in unrealized loss on marketable securities, net of tax			(5)		(5)		(5)	
Net income	83,685			400	84,085		83,685	400
Total comprehensive income							\$ 86,220	\$ 620

Balance at October 1, 2011 135,062 \$ 1,351 \$ 780,652 \$ (265,927) \$ 45,132 \$ \$ 561,208

See the accompanying notes to condensed consolidated financial statements.

Table of Contents**ENTEGRIS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

<i>(In thousands)</i>	Nine months ended	
	October 1, 2011	October 2, 2010
Operating activities:		
Net income	\$ 84,085	\$ 58,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,292	20,645
Amortization	7,763	10,459
Share-based compensation expense	5,784	5,434
Other	(550)	1,859
Changes in operating assets and liabilities:		
Trade accounts and notes receivable	15,684	(27,760)
Inventories	(4,204)	(11,229)
Accounts payable and accrued liabilities	(14,838)	32,351
Other current assets	360	1,674
Income taxes payable and refundable income taxes	(851)	8,430
Other	(755)	793
Net cash provided by operating activities	112,770	100,914
Investing activities:		
Acquisition of property and equipment	(24,146)	(12,159)
Other	(604)	4,492
Net cash used in investing activities	(24,750)	(7,667)
Financing activities:		
Principal payments on short-term borrowings and long-term debt		(252,954)
Proceeds from short-term borrowings and long-term debt		186,649
Issuance of common stock	5,656	1,663
Other	(1,085)	(85)
Net cash provided by (used in) financing activities	4,571	(64,727)
Effect of exchange rate changes on cash and cash equivalents	492	1,594
Increase in cash and cash equivalents	93,083	30,114
Cash and cash equivalents at beginning of period	133,954	68,700
Cash and cash equivalents at end of period	\$ 227,037	\$ 98,814

Supplemental Cash Flow Information

<i>(In thousands)</i>	Nine months ended	
	October 1, 2011	October 2, 2010
Non-cash transactions:		

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Intangible assets received as partial consideration in sale of equity interest	\$ 1,712	\$
See the accompanying notes to condensed consolidated financial statements.		

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ENTEGRIS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entegris is a leading provider of a wide range of products for purifying, protecting and transporting critical materials used in processing and manufacturing in the semiconductor and other high-technology industries. The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation.

As of October 1, 2011, all of the Company's subsidiaries included in its condensed consolidated financial statements are wholly owned. Prior to April 4, 2011, the Company held a 70% interest in its Pureline Co., Ltd. (Pureline) subsidiary, located in South Korea. On that date, the Company purchased the 30% noncontrolling interest in Pureline for \$1.5 million. The noncontrolling interest in Pureline was recorded at \$5.0 million as of the date of the transaction. Accordingly, the Company recorded increases to additional paid-in capital of \$3.0 million and accumulated other comprehensive income of \$0.6 million in connection with the purchase of the noncontrolling interest. The cash outflow is reflected as a financing activity in the Company's condensed consolidated statements of cash flows.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, particularly receivables, inventories, property, plant and equipment, and intangibles, accrued expenses and income taxes and related accounts, and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position as of October 1, 2011 and December 31, 2010, the results of operations for the three months and nine months ended October 1, 2011 and October 2, 2010, and equity and comprehensive income, and cash flows for the nine months ended October 1, 2011 and October 2, 2010.

The condensed consolidated financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual consolidated financial statements and notes. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended December 31, 2010. The results of operations for the nine months ended October 1, 2011 are not necessarily indicative of the results to be expected for the full year.

Fair Value of Financial Instruments The carrying value of cash equivalents, accounts receivable and accounts payable approximates fair value due to the short maturity of those instruments. Short-term investments are recognized and measured at fair value.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition (Accounting Standards Codification (ASC) Topic 605) - Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*. This guidance modifies the fair value requirements of ASC subtopic 605-25 *Revenue Recognition-Multiple Element Arrangements* by allowing the use of the best estimate of selling price for determining the selling price of a deliverable. A vendor is now required to use its best estimate of the selling price when vendor specific objective evidence or third-party evidence of the selling price cannot be determined. In addition, the residual method of allocating arrangement consideration is no longer permitted. This guidance was effective for the Company in 2011 and did not have a material effect on the Company's condensed consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which requires entities to present reclassification adjustments included in other comprehensive income on the face of the financial statements and allows entities to present the total of comprehensive income, the components of net

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income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. It also eliminates the option for entities to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. For public companies, ASU No. 2011-05 is effective for fiscal years (and interim periods within those years) beginning after December 15, 2011, with earlier adoption permitted. Adoption of this ASU relates to the presentation of financial information and therefore does not have a material effect on the Company's condensed consolidated financial statements.

Other Accounting Standards Updates issued, but not effective for the Company until after October 1, 2011 are not expected to have a material effect on the Company's condensed consolidated financial statements.

2. SHORT-TERM INVESTMENTS

Available-for-sale investments as of October 1, 2011 were as follows:

<i>(In thousands)</i>	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
Corporate bonds	\$ 2,047	\$	\$ (1)	\$ 2,046
Total available-for-sale investments	\$ 2,047	\$	\$ (1)	\$ 2,046

Investments with continuous unrealized losses for less than 12 months and their related fair values as of October 1, 2011 were as follows:

<i>(In thousands)</i>	Fair value	Less than 12 months Unrealized losses
Corporate bonds	\$ 2,046	\$ (1)
Total	\$ 2,046	\$ (1)

Unrealized losses from corporate bonds are primarily attributable to general changes in interest rates and market conditions. Management does not believe the unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence as of October 1, 2011.

The amortized cost and fair value of available-for-sale debt investments as of October 1, 2011, by contractual maturity, were as follows:

<i>(In thousands)</i>	Cost basis	Fair value
Due in 1 year or less	\$ 2,047	\$ 2,046
Total	\$ 2,047	\$ 2,046

The net unrealized holding gains (losses) on available-for-sale investments that have been included in other comprehensive income (loss) and the net gains (losses) reclassified from accumulated other comprehensive income (loss) into earnings were as follows:

<i>(In thousands)</i>	Three months ended October 1, 2011	Nine months ended October 1, 2011
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Net unrealized holding gains (losses) included in other comprehensive income	\$	1	\$	(1)
Net gains (losses) reclassified from accumulated other comprehensive income (loss) into earnings	\$		\$	

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Inventories consist of the following:

<i>(In thousands)</i>	October 1, 2011	December 31, 2010
Raw materials	\$ 29,010	\$ 26,576
Work-in process	12,618	13,352
Finished goods ^(a)	60,662	60,453
Supplies	660	662
Total inventories	\$ 102,950	\$ 101,043

(a) Includes consignment inventories held by customers for \$5,414 and \$5,057 at October 1, 2011 and December 31, 2010, respectively.

4. INTANGIBLE ASSETS

Identifiable intangible assets, net of amortization, of \$58.8 million as of October 1, 2011 are being amortized over useful lives ranging from 3 to 15 years and are as follows:

<i>(In thousands)</i>	As of October 1, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying value
Patents	\$ 19,017	\$ 17,915	\$ 1,102
Developed technology	76,637	55,792	20,845
Trademarks and trade names			