

SOUTHWALL TECHNOLOGIES INC /DE/  
Form 10-Q  
November 14, 2001

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 10-Q

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the quarterly period ended September 30, 2001

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-15930

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## SOUTHWALL TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**  
(State or other jurisdiction of

**94 2551470**  
(I.R.S. Employer

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incorporation or organization)

Identification Number)

**1029 Corporation Way, Palo Alto, California**

**94303**

(Address of principal executive offices)

(Zip Code)

**(650) 962-9111**

Registrant's telephone number, including area code

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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

As of October 11, 2001 there were 8,247,924 shares of the Registrant's Common Stock outstanding

SOUTHWALL TECHNOLOGIES INC.

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## PART I FINANCIAL INFORMATION

## Item 1-Financial Statements:

## SOUTHWALL TECHNOLOGIES INC.

## CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	September 30, 2001 (Unaudited)	December 31, 2000
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,145	\$ 61
Restricted cash	1,195	1,849
Accounts receivable, net of allowance for bad debts of \$584 and \$640	12,118	13,317
Inventories, net	5,716	10,174
Other current assets	1,606	2,008
Total current assets	\$ 23,780	\$ 27,409
Property, plant and equipment, net	48,026	49,884
Other assets	3,226	3,169
Total assets	\$ 75,032	\$ 80,462
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Bank line of credit	\$ 5,498	\$ 8,719
Accounts payable	11,643	16,857
Accrued compensation	2,029	1,915
Other accrued liabilities	5,220	4,551
Government grants advanced	976	1,085
Current portion long-term debt	8,204	5,806
Long-term debt reclassified to current	17,022	20,624

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Total current liabilities	50,592	59,557
Other	744	767
Total liabilities	51,336	60,324
Stockholders' equity:		
Common stock, \$0.001 par value, 20,000 shares authorized; issued and outstanding 8,311 and 7,889	8	8
Capital in excess of par value	52,549	51,764
Less cost of treasury stock, 123 and 166 shares outstanding	(312 )	(839 )
Notes receivable	(107 )	(99 )
Cumulative translation adjustment	(359 )	(151 )
Accumulated deficit	(28,083 )	(30,545 )
Total stockholders' equity	23,696	20,138
Total liabilities and stockholders' equity	\$ 75,032	\$ 80,462

See accompanying notes to consolidated financial statements.

## SOUTHWALL TECHNOLOGIES INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	October 1, 2000	September 30, 2001	October 1, 2000
Net revenues	\$ 22,777	\$ 26,361	\$ 62,436	\$ 64,398
Costs and expenses				
Cost of sales	15,629	19,399	46,798	51,104
Research and development	1,386	1,921	3,995	5,010
Selling, general and administrative	2,688	5,621	8,401	10,715
Legal settlement	-	0	-	402
Total costs and expenses	19,703	26,941	59,194	67,231
Income (loss) from operations	3,074	(580 )	3,242	(2,833 )
Interest (expense), net	(618 )	(946 )	(2,156 )	(1,966 )
Other income (expense), net	(36 )	(4 )	1,328	16
Income (loss) before provision for income taxes	2,420	(1,530 )	2,414	(4,783 )
Provision for income taxes	11	(18 )	(48 )	(95 )
Net income (loss)	\$ 2,409	\$ (1,548 )	\$ 2,462	\$ (4,878 )
Net income (loss) per share:				
Basic	\$ 0.29	\$ (0.20 )	\$ 0.31	\$ (0.64 )
Diluted	\$ 0.28	\$ (0.20 )	\$ 0.30	\$ (0.64 )
Weighted average shares of common stock and dilutive common stock equivalents:				
Basic	8,220	7,680	8,010	7,614

Diluted	8,466	7,680	8,084	7,614
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See accompanying notes to consolidated financial statements.

**SOUTHWALL TECHNOLOGIES INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

(Unaudited)

**Increase (Decrease) in cash**

	<b>Nine Months Ended,</b>	
	<b>September 30,</b>	<b>October 1,</b>
	<b>2001</b>	<b>2000</b>
<b>Cash flows (used in) or provided by operating activities:</b>		
Net income (loss)	\$ 2,462	\$ (4,878 )
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization	4,359	3,836
<b>Change in assets and liabilities:</b>		