

VISX INC
Form 10-Q
August 14, 2001
Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

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 1-10694

VISX, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other Jurisdiction of Incorporation or Organization)

06-1161793

(IRS Employer Identification No.)

3400 Central Expressway, Santa Clara, California

(Address of principal executive offices)

95051-0703

(Zip Code)

(Registrant's telephone number, including area code): **(408) 733-2020**

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

Total number of shares of common stock outstanding as of July 31, 2001: 55,733,593

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Interim Financial Statements

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Results of Operations

Liquidity and Capital Resources

Business Risks and Fluctuations in Results

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

Table of Contents

VISX, INCORPORATED
TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Balance Sheets as of June 30, 2001 and December 31, 2000 **3**

Condensed Consolidated Interim Statements of Operations for the Three Months Ended June 30, 2001 and 2000 and for the Six Months Ended June 30, 2001 and 2000 **4**

Condensed Consolidated Interim Statements of Cash Flows for the Six Months Ended June 30, 2001 and 2000 **5** Notes to Condensed Consolidated Interim Financial Statements **6**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview **9** Results of Operations **9** Liquidity and Capital Resources **10** Business Risks and Fluctuations in Quarterly

Results **11**

Item 3. Quantitative and Qualitative Disclosure about Market Risk **12**

PART II OTHER INFORMATION

Item 1. Legal Proceedings **12**

Item 6. Exhibits and Reports on Form 8-K **13**

SIGNATURES **14**

Page

Page 2

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Interim Financial Statements****VISX, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS**
(In thousands, except share and per share amounts)**ASSETS**

	June 30, 2001	December 31, 2000
	<u> </u>	<u> </u>
	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$22,832	\$19,686
Short-term investments	138,536	209,767
Accounts receivable, net of allowance for doubtful accounts of \$3,080 and \$5,771, respectively	42,702	34,540
Inventories	17,649	14,762
Deferred tax assets and prepaid expenses	20,325	19,642
	<hr/>	
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Total current assets	242,044	298,397
Property and Equipment, net	3,895	4,996
Long-Term Deferred Tax and Other Assets	18,221	18,114
	<hr/>	
	<hr/>	
	\$264,160	\$321,507

**LIABILITIES AND
STOCKHOLDERS EQUITY**

Current Liabilities:

Accounts payable
\$4,063 \$7,353
Accrued liabilities
73,361 45,382

Total current liabilities
77,424 52,735

Stockholders Equity:

Common stock:

\$.01 par value, 180,000,000 shares
authorized; 64,990,089 shares issued
650 650

Additional paid-in capital
209,846 214,668

Treasury stock, at cost 8,901,896
and 4,233,989 shares, respectively
(160,119) (79,946)

Accumulated comprehensive
income
2,025 984

Retained earnings
134,334 132,416

Total stockholders equity
186,736 268,772

\$264,160 \$321,507



The accompanying notes are an integral part of these condensed consolidated interim financial statements.



Table of Contents

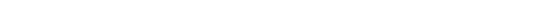
VISX, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

Three months ended June 30,		Six months ended June 30,	
2001	2000	2001	2000

(unaudited)

Revenues:

System sales	\$17,239	\$15,322	\$34,335	\$35,199
License, service and other revenues	32,143	32,683	66,623	76,803



Total revenues	49,382	48,005	100,958	112,002
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Costs and Expenses:

Cost of revenues
15,809 16,929 33,637 33,898
Marketing, general and administrative
11,609 12,596 23,389 27,184
Research, development and regulatory
4,592 3,341 9,142 6,851

Total costs and expenses
32,010 32,866 66,168 67,933

Income From Operations

17,372 15,139 34,790 44,069
Interest and other income
2,759 3,311 6,201 6,978
Litigation settlement
(37,821) (11,856) (37,821) (11,856)

Income Before Provision For Income Taxes

(17,690) 6,594 3,170 39,191
Provision for income taxes
(6,988) 2,441 1,252 15,480

Net Income

\$(10,702) \$4,153 \$1,918 \$23,711

Earnings Per Share

Basic

\$(0.19) \$0.07 \$0.03 \$0.38

Diluted

\$(0.19) \$0.07 \$0.03 \$0.37

Shares Used For Earnings Per Share

Basic

56,536 60,725 58,021 62,171

Diluted

56,536 62,910 59,735 64,587

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Table of Contents

VISX, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(In thousands)

Six months ended June 30,	
2001	2000
(unaudited)	

Cash flows from operating activities:

Net income
 \$1,918 \$23,711
 Adjustments to reconcile net
 income to net cash provided by
 operating activities:

Depreciation and amortization
 1,996 1,574
 Reserve for doubtful accounts
 receivable
 (2,691) 645
 Increase (decrease) in cash
 flows from changes in operating
 assets and liabilities:

Accounts receivable
 (5,471) 5,080
 Inventories
 (2,887) 857
 Deferred tax assets and prepaid
 expenses
 (683) 11,942
 Long-term deferred tax and
 other assets
 (107) (16,804)

Accounts payable
(3,290) 396
Accrued liabilities
27,979 50

Net cash provided by operating
activities
16,764 27,451

**Cash flows from investing
activities:**

Capital expenditures
(895) (1,264)
Purchase of short-term
investments
(23,368)
Proceeds from maturities of
short-term investments
95,471 48,721

Net cash provided by investing
activities
71,208 47,457

**Cash flows from financing
activities:**

Exercise of stock options
4,582 3,126
Repurchase of common stock
(89,408) (86,622)

Net cash used in financing
activities
(84,826) (83,496)

Net increase (decrease) in cash
and cash equivalents
3,146 (8,588)
Cash and cash equivalents,
beginning of period
19,686 25,842

Cash and cash equivalents, end
of period
\$22,832 \$17,254

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Table of Contents

VISX, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

1. Basis of Presentation:

We prepared our Condensed Consolidated Interim Financial Statements in conformity with Securities and Exchange Commission rules and regulations. Accordingly, we condensed or omitted certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles. Please read our 2000 Annual Report on Form 10-K to gain a more complete understanding of these interim financial statements.

We included in these interim financial statements all adjustments (consisting primarily only of normal recurring adjustments) necessary to present fairly our results for the interim period. Our interim financial statements have not been audited.

2. Revenue Recognition:

We record revenue and the cost of installation, training, and warranty services when we ship and, where applicable, install products. Software that is used in our systems is included at the time of shipment. We recognize service revenue when we provide service. We recognize license revenue when we ship VisionKey® cards in the United States and when we receive payments from manufacturing licensees.

3. Earnings Per Share:

Basic earnings per share (EPS) equals net income divided by the weighted average number of common shares outstanding. Diluted EPS equals net income divided by the weighted average number of common shares outstanding plus dilutive potential common shares calculated in accordance with the treasury stock method. All amounts in the following table are in thousands, except per share data, and are unaudited.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
NET INCOME	\$ (10,702)	\$ 4,153	\$ 1,918	\$ 23,711

BASIC EARNINGS PER SHARE

Income available to common shareholders
 \$(10,702) \$4,153 \$1,918 \$23,711
 Weighted average common shares outstanding
 56,536 60,725 58,021 62,171

Basic Earnings Per Share
 \$(0.19) \$0.07 \$0.03 \$0.38

DILUTED EARNINGS PER SHARE

Income available to common shareholders
 \$(10,702) \$4,153 \$1,918 \$23,711

Weighted average common shares outstanding
 56,536 60,725 58,021 62,171

Dilutive potential common shares from stock options
 2,185 1,714 2,416

Weighted average common shares and dilutive
 potential common shares
 56,536 62,910 59,735 64,587

Diluted Earnings Per Share
 \$(0.19) \$0.07 \$0.03 \$0.37

Table of Contents

Options to purchase 4,033,000 shares and 2,860,000 shares during the six month periods ended June 30, 2001 and 2000, respectively, were excluded from the computation of diluted EPS because the options' exercise prices were greater than the average market price of the Company's common stock during these periods.

4. Inventories (in thousands):

	June 30, 2001	December 31, 2000
	<u> </u>	<u> </u>
	(unaudited)	
Raw materials and subassemblies	\$ 13,189	\$ 9,278
Work in process		

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2,966 4,099
Finished goods
1,494 1,385

Total
\$17,649 \$14,762

5. **Comprehensive Income** (unaudited, in thousands):

Three Months Ended
June 30,

Six Months Ended
June 30,

2001