

CPS TECHNOLOGIES CORP/DE/
Form 10-Q
November 14, 2011

**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 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 0-16088

CPS TECHNOLOGIES CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

04-2832509
(I.R.S. Employer
Identification No.)

111 South Worcester Street
Norton MA
(Address of principal executive offices)

02766-2102
(Zip Code)

(508) 222-0614

Registrants Telephone Number, including Area Code:

CPS Technologies Corporation

111 South Worcester Street

Norton, MA 02766-2102

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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 than the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [X] Yes [] No

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

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [X]

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date. Number of shares of common stock outstanding as of November 3, 2011: 12,868,459.

PART I FINANCIAL INFORMATION**ITEM 1 FINANCIAL STATEMENTS (Unaudited)****CPS TECHNOLOGIES CORPORATION****Balance Sheets (Unaudited)****(continued on next page)**

	October 1, 2011	December 25 2010
ASSETS	-----	-----
Current assets:		
Cash and cash equivalents	\$ 1,148,621	\$ 1,803,222
Accounts receivable-trade net of allowance for doubtful accounts of \$5,000 at October 1, 2011 and December 25, 2010	4,199,095	3,922,962
Inventories	2,190,465	1,523,758
Prepaid expenses	136,973	76,579
Deferred taxes	326,679	354,774
	-----	-----
Total current assets	8,001,833	7,681,295
	-----	-----
Property and equipment:		
Production equipment	6,657,680	6,462,311
Furniture and office equipment	344,782	325,880
Leasehold improvements	699,832	677,529
	-----	-----
Total cost	7,702,284	7,465,720
Accumulated depreciation and amortization	(5,934,520)	(5,402,781)
Construction in progress	312,377	121,362
	-----	-----
Net property and equipment	2,080,151	2,184,301
	-----	-----
Deferred taxes, non-current portion	793,750	745,505
	-----	-----
Total Assets	\$ 10,875,734	\$ 10,611,101
	=====	=====

See accompanying notes to financial statements.

CPS TECHNOLOGIES CORPORATION**Balance Sheets (Unaudited)****(continued)**

LIABILITIES AND STOCKHOLDERS` EQUITY	October 1, 2011	December 25, 2010
	-----	-----
Current liabilities:		
Accounts payable	\$ 959,996	\$ 812,564
Accrued expenses	890,547	884,259
Current portion of obligations under capital leases	172,170	253,167
	-----	-----
Total current liabilities	2,022,713	1,949,990
Obligations under capital leases less current portion	59,448	175,561
	-----	-----
Total liabilities	2,082,161	2,125,551
	-----	-----
Commitments		
Stockholders` equity:		
Common stock, \$0.01 par value, authorized 15,000,000 shares; at October 1, 2011 and December 25, 2010; issued 12,794,092 and 12,698,842 shares at October 1, 2011 and December 25, 2010, respectively; outstanding 12,771,209 and 12,675,959 shares at October 1, 2011 and December 25, 2010, respectively	127,941	126,989
Additional paid-in capital	33,386,576	33,136,420
Accumulated deficit	(24,660,109)	(24,717,024)
Less cost of 22,883 common shares repurchased	(60,835)	(60,835)
	-----	-----
Total stockholders` equity	8,793,573	8,485,550
	-----	-----
Total liabilities and stockholders` equity	\$ 10,875,734	\$ 10,611,101
	=====	=====

See accompanying notes to financial statements.

CPS TECHNOLOGIES CORPORATION
Statements of Operations (Unaudited)

	Fiscal Quarters Ended		Nine month Periods Ended	
	October 1, 2011	September 25, 2010	October 1, 2011	September 25, 2010
	-----	-----	-----	-----
Revenues:				
Product sales	\$4,508,250	\$5,574,371	\$13,848,477	\$15,580,602
Research and development under cooperative agreement	392,790	433,352	1,734,668	1,022,990
	-----	-----	-----	-----
Total Revenues	4,901,040	6,007,723	15,583,145	16,603,592
Cost of product sales	3,651,046	4,151,008	11,250,968	11,767,887
Cost of research and development under cooperative agreement	358,002	372,441	1,624,710	917,036
	-----	-----	-----	-----
Gross Margin	891,992	1,484,274	2,707,467	3,918,669
Selling, general, and administrative expense	835,375	802,184	2,579,388	2,228,657
	-----	-----	-----	-----
Operating income	56,617	682,090	128,079	1,690,012
Other income (expense), net	(8,528)	(7,306)	(26,264)	(23,782)
	-----	-----	-----	-----
Net income before income tax expense	48,089	674,784	101,815	1,666,230
Income tax expense	20,500	254,000	44,900	631,000
	-----	-----	-----	-----
Net income	\$27,589	\$420,784	\$56,915	\$1,035,230
	=====	=====	=====	=====
Net income per basic common share	\$ 0.00	\$ 0.03	\$ 0.00	\$ 0.08
	-----	-----	-----	-----
Weighted average number of basic common shares outstanding	12,748,149	12,648,640	12,733,312	12,659,519
	=====	=====	=====	=====
Net income per diluted common share	\$ 0.00	\$ 0.03	\$ 0.00	\$ 0.08
	-----	-----	-----	-----
Weighted average number of diluted common shares outstanding	13,190,317	12,998,593	13,199,666	12,975,415
	=====	=====	=====	=====

See accompanying notes to financial statements.

CPS TECHNOLOGIES CORPORATION
Statements of Cash Flows (Unaudited)

	Nine-Month Period Ended	
	October 1, 2011	September 25, 2010
	-----	-----
Cash flows from operating activities:		
Net income	\$56,915	\$1,035,230
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation & amortization	531,738	554,193
Share-based compensation	158,449	97,723
Provision for bad debts on accounts receivable	--	(17,500)
Deferred taxes	27,600	--
Excess tax benefit from stock options exercised	(47,750)	--
	-----	-----
Changes in:		
Accounts receivable-trade	(276,133)	(1,660,171)
Inventories	(666,707)	211,328
Prepaid expenses	(60,394)	(2,349)
Accounts payable	147,432	432,118
Accrued expenses	6,288	618,353
	-----	-----
Net cash provided by (used in) operating activities	(122,562)	1,268,925
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(427,588)	(668,313)
	-----	-----
Net cash used in investing activities	(427,588)	(668,313)

Cash flows from financing activities:		
Payment of capital lease obligations	(197,110)	(221,130)
Excess tax benefit from stock options exercised	47,750	2,546
Proceeds from issuance of common stock	44,909	32,060
Proceeds from capital lease financing	--	185,270
Net cash used in financing activities	(104,451)	(1,254)
Net increase (decrease) in cash and cash equivalents	(654,601)	599,358
Cash and cash equivalents at beginning of period	1,803,222	1,073,600
Cash and cash equivalents at end of period	\$ 1,148,621	\$ 1,672,958
Supplemental cash flow information:		
Cash paid for taxes, net of refunds	\$ 11,900	\$ --
Interest paid	\$ 26,264	\$ 23,452

See accompanying notes to financial statements.

CPS TECHNOLOGIES CORPORATION

Notes to Financial Statements

(Unaudited)

(1) Nature of Business

CPS Technologies Corporation (the “Company” or “CPS”) provides advanced material solutions to the electronics, robotics, automotive and other industries. The Company’s primary advanced material solution is metal matrix composites which are a combination of metal and ceramic.

CPS also assembles housings and packages for hybrid circuits. These housings and packages may include components made of metal-matrix composites or they may include components made of more traditional materials such as aluminum, copper-tungsten, etc.

The Company sells into several end markets including the wireless communications infrastructure market, high-performance microprocessor market, motor controller market, and other microelectronic and structural markets. In 2008 the Company also entered into a cooperative agreement with the U.S. Army to further develop its composite technology to produce armor.

(2) Interim Financial Statements

As permitted by the rules of the Securities and Exchange Commission applicable to quarterly reports on Form 10-Q, these notes are condensed and do not contain all disclosures required by generally accepted accounting principles.

The accompanying financial statements are unaudited. In the opinion of management, the unaudited financial statements of CPS reflect all normal recurring adjustments which are necessary to present fairly the financial position and results of operations for such periods.

The Company’s balance sheet at December 25, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

For further information, refer to the financial statements and footnotes thereto included CPS’s Annual Report on Form 10-K for the year ended December 25, 2010.

The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

(3) Net Income (Loss) Per Common and Common Equivalent Share

Basic net income or loss per common share is calculated by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated by dividing net income by the sum of the weighted average number of common shares plus additional common shares that would have been outstanding if potential dilutive common shares had been issued for granted stock option and stock purchase rights.

The following table presents the calculation of both basic and diluted EPS:

	Quarters Ended		Nine-Month Periods Ended	
	October 1, 2011	September 25, 2010	October 1, 2011	September 25, 2010
	-----	-----	-----	-----
Basic EPS				
Computation:				
Numerator:				
Net income	\$ 27,589	\$ 420,784	\$ 56,915	\$ 1,035,230
Denominator:				
Weighted average				
Common shares				
Outstanding	12,748,149	12,648,640	12,733,312	12,659,519
Basic EPS	\$ 0.00	\$ 0.03	\$ 0.00	\$ 0.08
Diluted EPS				
Computation:				
Numerator:				
Net income	\$ 27,589	\$ 420,784	\$ 56,915	\$ 1,035,230