

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-04-02**
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FILER

COGNEX CORP

CIK: **851205** | IRS No.: **042713778** | State of Incorpor.: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-17869** | Film No.: **95536073**
SIC: **3845** Electromedical & electrotherapeutic apparatus

Mailing Address
*ONE VISION DRIVE
NATICK MA 01760*

Business Address
*ONE VISION DR
NATICK MA 01760
5086503000*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

/ X / Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 2, 1995 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 0-17869

COGNEX CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts

04-2713778

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

One Vision Drive
Natick, Massachusetts 01760-2059
(508) 650-3000

(Address, including zip code, and telephone number,
including area code, of principal executive offices)

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 X No
----- -----

As of April 30, 1995, there were 18,886,661 shares of Common Stock, \$.002 par value, of the registrant outstanding.

Total number of pages: 11

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

<TABLE>

COGNEX CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

<CAPTION>

	THREE MONTHS ENDED	
	APRIL 2, 1995	APRIL 3, 1994
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Revenue.....	\$19,437	\$12,838
Cost of revenue.....	3,952	2,810
	-----	-----
Gross margin.....	15,485	10,028
Research, development and engineering expenses.....	2,716	2,481
Selling, general and administrative expenses.....	5,071	3,307
	-----	-----
Income from operations.....	7,698	4,240
Interest income.....	632	393
	-----	-----
Income before provision for income taxes.....	8,330	4,633
Provision for income taxes.....	2,457	1,436
	-----	-----
Net income.....	\$ 5,873	\$ 3,197
	=====	=====
Net income per share.....	\$.29	\$.17
	=====	=====
Weighted average common shares outstanding.....	20,392	18,473
	=====	=====

</TABLE>

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

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<TABLE>

COGNEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<CAPTION>

	APRIL 2, 1995	DECEMBER 31, 1994
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 36,178	\$ 56,326
Investments.....	49,480	25,169
Accounts receivable, less reserves of approximately		

\$686 and \$684 in 1995 and 1994, respectively.....	11,699	9,151
Inventories.....	5,462	4,439
Deferred income taxes.....	1,554	1,463
Prepaid expenses and other.....	1,574	1,195
	-----	-----
Total current assets.....	105,947	97,743
	-----	-----
Property, plant and equipment, net.....	14,767	14,503
Other assets.....	565	593
	-----	-----
	\$121,279	\$112,839
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 967	\$ 1,284
Accrued expenses.....	5,171	5,135
Accrued income taxes.....	2,772	1,674
Customer deposits.....	615	744
Deferred revenue.....	429	394
	-----	-----
Total current liabilities.....	9,954	9,231
	-----	-----
Stockholders' equity:		
Common stock, \$.002 par value -		
Authorized: 25,000,000 shares, issued: 18,876,488 and		
18,751,935 shares in 1995 and 1994, respectively.....	38	38
Additional paid-in capital.....	55,314	53,633
Cumulative translation adjustment.....	110	(53)
Retained earnings.....	56,355	50,482
Treasury stock, at cost, 30,878 shares in 1995 and 1994.....	(492)	(492)
	-----	-----
Total stockholders' equity.....	111,325	103,608
	-----	-----
	\$121,279	\$112,839
	=====	=====

</TABLE>

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

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<TABLE>

COGNEX CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

<CAPTION>	COMMON STOCK					TREASURY STOCK			TOTAL STOCKHOLDERS' EQUITY
	NUMBER OF SHARES	\$.002 PAR VALUE	ADDITIONAL PAID-IN CAPITAL	CUMULATIVE TRANSLATION ADJUSTMENT	RETAINED EARNINGS	NUMBER OF SHARES	COST		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Balance at December 31, 1994	18,751,935	\$38	\$53,633	\$ (53)	\$50,482	30,878	\$ (492)	\$103,608	
Issuance of stock under stock option plans	124,553		761					761	
Tax benefit from the exercise of stock options ..			920					920	
Translation adjustment				163				163	
Net income					5,873			5,873	
	-----	---	-----	----	-----	-----	-----	-----	
Balance at April 2, 1995 (unaudited)	18,876,488	\$38	\$55,314	\$110	\$56,355	30,878	\$ (492)	\$111,325	
	=====	===	=====	=====	=====	=====	=====	=====	

</TABLE>

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

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<TABLE>

COGNEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<CAPTION>

THREE MONTHS ENDED
APRIL 2, 1995 APRIL 3, 1994

(UNAUDITED)

<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 5,873	\$ 3,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	624	360
Tax benefit from the exercise of stock options	920	869
Change in current assets and current liabilities	(3,367)	(1,355)
Net cash provided by operating activities	4,050	3,071
Cash flows from investing activities:		
Purchase of investments	(28,970)	(6,086)
Maturities of investments	4,659	5,717
Purchase of property, plant and equipment	(801)	(6,725)
Decrease in other assets	116	
Net cash used in investing activities	(24,996)	(7,094)
Cash flows from financing activities:		
Issuance of stock under stock option plans	761	807
Net cash provided by financing activities	761	807
Effect of exchange rate changes on cash	37	(43)
Net decrease in cash and cash equivalents	(20,148)	(3,259)
Cash and cash equivalents at beginning of period	56,326	21,833
Cash and cash equivalents at end of period	\$ 36,178	\$18,574

</TABLE>

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

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COGNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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. Reference should be made to the financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1994, as filed with the Securities and Exchange Commission on March 27, 1995.

In the opinion of the management of Cognex Corporation, the accompanying financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company's financial position at April 2, 1995 and December 31, 1994, and the results of its operations and changes in stockholders' equity and cash flows for the three months ended April 2, 1995 and April 3, 1994.

The results disclosed in the Consolidated Statement of Income for the three months ended April 2, 1995 are not necessarily indicative of the results to be expected for the full year.

<TABLE>
INVENTORIES

Inventories consist of the following:

<CAPTION>	APRIL 2, 1995	DECEMBER 31, 1994
(In thousands)		
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Raw materials	\$3,198	\$2,476
Work-in-process	1,621	1,604
Finished goods	643	359
	-----	-----

\$5,462 \$4,439
=====

</TABLE>
<TABLE>
PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

<CAPTION> (In thousands)	APRIL 2, 1995	DECEMBER 31, 1994
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Land	\$ 800	\$ 800
Building	7,841	7,836
Building improvements	1,173	1,107
Construction in progress	22	
Computer hardware and software	9,531	8,772
Furniture and fixtures	1,367	1,298
Leasehold improvements	294	250
	-----	-----
	21,028	20,063
Less: accumulated depreciation and amortization	(6,261)	(5,560)
	-----	-----
	\$14,767	\$14,503
	=====	=====

</TABLE>

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COGNEX CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NET INCOME PER SHARE

Net income per share is calculated based on the weighted average number of common and dilutive common equivalent shares outstanding during the period. Primary and fully diluted net income per share are not materially different for each of the periods presented. Dilutive common equivalent shares consist of stock options, calculated using the treasury stock method.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenue for the three-month period ended April 2, 1995 increased 51% to \$19,437,000 from \$12,838,000 for the three-month period ended April 3, 1994. Contributing to the revenue increase, each of the Company's major geographic areas, the United States, Japan, and Europe, grew in excess of 40% from the first quarter of 1994 to the first quarter of 1995. The most substantial increase came from Japan, where revenue increased \$3,321,000 or 62% over the comparable period in 1994.

International revenue amounted to \$11,132,000 for the three-month period in 1995 compared to \$7,077,000 for the same period in 1994, an increase of 57%. Domestic revenue increased \$2,544,000 or 44% for the three-month period in 1995 over the comparable period in 1994. The increase in worldwide revenue is due primarily to the growth in sales to existing customers, that is, those customers that have been with the Company for three or more years. Sales to existing customers represented 85% of revenue for the three-month period ended April 2, 1995 and increased 57% over the comparable period in 1994.

Sales of the Cognex 2000 Series vision system decreased to 8% of revenue for the three-month period ended April 2, 1995 from 15% of revenue for the three-month period ended April 3, 1994. Sales of the Cognex 3000 Series vision system increased \$1,229,000 over the comparable period in 1994 and remained relatively flat as a percentage of revenue. Sales of the Cognex 4000 Series vision system represented 41% of revenue for the three-month period in 1995 compared to 39% of revenue for the same period in 1994, an increase of \$2,943,000 or 59%. Sales of the Cognex 5000 Series vision system increased \$1,668,000 and represented 26% of revenue for both three-month periods.

Gross margin for the three-month period ended April 2, 1995 increased to \$15,485,000 or 80% of revenue from \$10,028,000 or 78% of revenue for the three-month period ended April 3, 1994. The two point increase in the gross margin percentage is primarily due to favorable manufacturing variances and increased revenue from the Company's Customer Satisfaction group.

Research, development and engineering expenses increased to \$2,716,000 for the three-month period ended April 2, 1995 from \$2,481,000 for the three-month period ended April 3, 1994. Expenses as a percentage of revenue were 14% for the three-month period in 1995 compared to 19% for the comparable period in 1994. The increase in aggregate costs is due primarily to higher personnel costs to support the Company's investment in the research and development of new and existing products. The decrease in expenses as a percentage of revenue is due to the revenue growth outpacing the investment in research and development.

Selling, general and administrative expenses increased to \$5,071,000 for the three-month period ended April 2, 1995 from \$3,307,000 for the three-month period ended April 3, 1994. Expenses as a percentage of revenue remained constant at 26% for both three-month periods. The increase in aggregate costs is primarily due to higher personnel costs, both domestically and internationally, to support the Company's increased revenue and customer base.

Interest income increased to \$632,000 for the three-month period ended April 2, 1995 from \$393,000 for the three-month period ended April 3, 1994. The increase in interest income is due primarily to a larger investment base.

The Company's effective tax rate for the three-month period ended April 2, 1995 was 29.5% compared to 31.0% for the three-month period ended April 3, 1994. The decrease in the effective tax rate is primarily due to a reduction in state income taxes and an increased benefit from tax-exempt interest income resulting from a larger investment base.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital and other cash requirements during the three-month period ended April 2, 1995 were met through cash flow generated from operations. Working capital at April 2, 1995 was \$95,993,000, an increase of \$7,481,000 from the working capital balance at December 31, 1994. Cash and investments increased \$4,163,000 from December 31, 1994 primarily as a result of cash generated from operations.

At April 2, 1995, the Company had no outstanding short-term or long-term debt. The Company has a \$1,000,000 unsecured demand line of credit with a bank, which is available through August 15, 1995. There have been no borrowings under the line of credit.

Capital requirements consist primarily of expenditures for computer hardware and software equipment. Capital expenditures in the three-month period ended April 2, 1995 were \$801,000, all of which were funded out of current operations.

The Company believes that the existing cash and investment balances, together with cash generated from operations, will be sufficient to meet the Company's working capital and capital expenditure requirements through 1995.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11 - Computation of Per Share Earnings
Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K

None

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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 thereunto duly authorized.

DATE: May 10, 1995

COGNEX CORPORATION

/s/ Robert J. Shillman

Robert J. Shillman
President, Chief Executive Officer, and Chairman
(principal executive officer)

/s/ John J. Rogers, Jr.

John J. Rogers, Jr.
Vice President, Chief Financial Officer, and Treasurer
(principal financial and accounting officer)

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<TABLE>

EXHIBIT 11

COGNEX CORPORATION
COMPUTATION OF PER SHARE EARNINGS

Weighted average common and common share equivalents were computed as follows:

<CAPTION>

	APRIL 2, 1995	APRIL 3, 1994
	-----	-----
	(UNAUDITED)	
<S>	<C>	<C>
Weighted average common shares outstanding.....	18,770,492	17,071,847
Weighted average options outstanding.....	3,898,244	3,845,607
Shares assumed to be purchased.....	(2,276,937)	(2,444,748)
	-----	-----
Primary weighted average common and common share equivalents outstanding.....	20,391,799	18,472,706
Dilutive effect of weighted average options.....	123,412	11,242
	-----	-----
Fully diluted weighted average common and common share equivalents outstanding.....	20,515,211	18,483,948
	=====	=====

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FORM 10-Q OF COGNEX CORPORATION FOR THE QUARTER ENDED APRIL 2, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q.

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