

ADVANCED ENERGY INDUSTRIES INC

FORM 8-K (Unscheduled Material Events)

Filed 7/11/2001 For Period Ending 7/11/2001

Address	1625 SHARP POINT DR FT COLLINS, Colorado 80525
Telephone	970-221-4670
CIK	0000927003
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): JULY 11, 2001

ADVANCED ENERGY INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Charter)

DELAWARE	000-26966	84-0846841
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1625 SHARP POINT DRIVE, FORT COLLINS, COLORADO 80525

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: 970-221-4670

N/A

(Former Name or Former Address, if Changed Since Last Report)

ITEM 5. OTHER EVENTS.

On July 11, 2001, Advanced Energy Industries, Inc. reported its financial results for the second quarter of 2001 and the six-month period ended June 30, 2001. The text of the press release is filed with this Form 8-K as Exhibit 99.1 and is incorporated herein by this reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

Exh. No. -----	Description -----
99.1	Press Release dated July 11, 2001

SIGNATURE

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 hereunto duly authorized.

Date: July 11, 2001

Advanced Energy Industries, Inc.

By: /s/ Richard P. Beck

Name: Richard P. Beck
Title: Senior Vice President and Chief
 Financial Officer

INDEX TO EXHIBITS

EXHIBIT
NUMBER

DESCRIPTION

99.1

Press Release dated July 11, 2001

EXHIBIT 99.1

CONTACTS:

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FOR IMMEDIATE RELEASE

ADVANCED ENERGY REPORTS 2001 SECOND QUARTER RESULTS

FORT COLLINS, COLO., JULY 11, 2001-Advanced Energy Industries, Inc. (Nasdaq: AEIS) today reported financial results for the 2001 second quarter and six-month period ended June 30, 2001. Advanced Energy is an industry-leading provider of technology solutions for the manufacture of semiconductors, data storage products, and flat panel displays.

For the second quarter of 2001, revenues were \$46.2 million, down 46 percent compared to \$85.7 million in the second quarter of 2000 and down 38 percent from revenue of \$74.7 million in the first quarter of 2001.

The results for the second quarter of 2001 include charges related to a writedown of goodwill, a restructuring charge and a writedown related to the disposal of excess, obsolete and warranty inventory. Pro forma net loss for the second quarter of 2001, excluding the effect of these charges, was \$4.9 million, or \$0.15 per diluted share. The company's gross margin, excluding the effect of these charges, declined to 32 percent for the second quarter of 2001, as a result of the lower revenue base.

"Our financial results continue to be adversely affected by the global slowdown in demand for capital equipment," said Doug Schatz, chairman and chief executive officer. "At this point, we do not have evidence from our customer base that there will be any significant change in order demand over the remainder of 2001. Although we have limited visibility regarding revenue levels, we do expect to see improvements in our operating margins during the third quarter once the full effect of our cost containment actions is realized."

"Longer term, the fundamentals of our core markets remain strong. We continue to leverage our market leadership in power conversion into other critical technology areas such as temperature management, temperature sensing and gas delivery and management. We believe these initiatives are gaining traction and will more than double our total available market opportunity, based on a June 2001 VLSI Research study. We are working closely with our OEM and end user customers to develop solutions with added capabilities that will improve their manufacturing results for current technology requirements and beyond," said Mr. Schatz.

During the second quarter of 2001, Advanced Energy terminated operations of two non-strategic product lines as part of the recent restructuring. The company took a charge of \$3.6 million in goodwill related to the dissolution of the Tower Electronics subsidiary and a charge of \$1.8 million in goodwill related to the dissolution of the Fourth State Technology division. The company does intend to fulfill outstanding orders for existing customers. The company also announced two reductions in force during the second quarter of 2001, which resulted in a charge of \$614,000 in restructuring and severance costs.

Actual net loss for the 2001 second quarter was \$14.5 million or \$0.46 per diluted share and includes the effects of the charges described above, in addition to a \$7.1 million writedown of excess, obsolete and warranty inventory charges that was included in cost of goods sold. This compares to net income of \$13.1 million or \$0.40 per diluted share in the second quarter of 2000 and net income of \$5.1 million or \$0.16 per diluted share in the first quarter of 2001.

For the first six months of 2001, revenues were \$120.9 million compared to \$160.7 million for the first six months of 2000. Actual gross profit for the 2001 six-month period was \$39.0 million, or 32 percent, compared to \$79.0 million or 49 percent for the first six months of 2000.

Actual net loss for the 2001 six-month period was \$9.5 million, or \$0.30 per diluted share, compared with net income \$24.4 million, or \$0.75 per diluted share, for the six-month period ended June 30, 2000.

While the company has very low visibility on future order levels due to the current operating environment, it anticipates lower third quarter revenues in the \$43 million to \$46 million range, and a third quarter loss per share in the \$0.16 to \$0.19 range.

CONFERENCE CALL

Management will host a conference call today, July 11, 2001 at 5:00 pm Eastern time to discuss the 2001 second quarter results. You may access this conference call by dialing 800-982-3654. For a replay of this teleconference, please call 703-925-2533, passcode 5300361. The replay will be available through Wednesday, July 18, 2001. There will also be a webcast available at www.advanced-energy.com in the "Investor Relations" section.

ABOUT ADVANCED ENERGY

Advanced Energy is a global leader in the development, marketing, and support of technology solutions that are central in the manufacture of semiconductors, data storage products, and flat panel displays. Original equipment manufacturers (OEMs) and end-users around the world depend on AE products when plasma-based technology plays a vital role in their manufacturing process. AE offers a comprehensive suite of products for vacuum process systems, including power management, temperature sensing, dynamic temperature control, gas delivery management, process monitoring and machine control tools, ion-beam sources, and plasma abatement technologies. AE technology solutions are sold and supported globally by direct offices, representatives, and distributors. Founded in 1981, AE is a publicly held company traded on the Nasdaq National Market under the symbol AEIS. AE's URL is www.advanced-energy.com.

SAFE HARBOR STATEMENT

This press release contains certain forward-looking statements subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to: the volatility and cyclical nature of the semiconductor and semiconductor capital equipment industries, fluctuations in quarterly and annual revenues and operating results, Advanced Energy's ongoing ability to develop new products in a highly competitive industry characterized by increasingly rapid technological changes, and other risks described in Advanced Energy's Form 10-K, Forms 10-Q and other reports and statements, as filed with the Securities and Exchange Commission. These reports and statements are available on the SEC's website at www.sec.gov. Copies may also be obtained by contacting Advanced Energy's investor relations at 970-407-6732. The company assumes no obligation to update the information in this press release.

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PRO FORMA CONSOLIDATED INCOME STATEMENT
(IN THOUSANDS EXCEPT PER SHARE DATA)

	Quarter Ended June 30, 2001	Quarter Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$ 46,171	\$ 85,701	\$ 120,885	\$ 160,729
Cost of sales	31,274	43,338	74,765	81,699
Gross profit	14,897	42,363	46,120	79,030
Operating expenses:				
Research and development	11,040	8,504	23,429	16,617
Sales and marketing	5,963	5,373	12,592	11,240
General and administrative	5,645	5,810	11,819	11,449
(Loss) income from operations	(7,751)	22,676	(1,720)	39,724
Other (expense) income	(70)	731	117	851
Net (loss) income before income taxes and minority interest	(7,821)	23,407	(1,603)	40,575
(Benefit) provision for income taxes	(3,039)	8,910	(913)	14,857
Minority interest in net income (loss)	105	(67)	40	(84)
Pro forma net (loss) income	\$ (4,887)	\$ 14,564	\$ (730)	\$ 25,802
Pro forma net (loss) earnings per share:				
Basic	\$ (0.15)	\$ 0.47	\$ (0.02)	\$ 0.83
Diluted	\$ (0.15)	\$ 0.45	\$ (0.02)	\$ 0.79
Basic weighted-average common shares outstanding	31,698	31,314	31,623	31,238
Diluted weighted-average common shares outstanding	31,698	32,543	31,623	32,528
THE PRO FORMA AMOUNTS HAVE BEEN ADJUSTED TO ELIMINATE THE FOLLOWING:				
Excess, obsolete and warranty inventory charges	7,116	--	7,116	--
Goodwill impairment	5,446	--	5,446	--
Restructuring charge	614	--	614	--
Litigation recovery	--	--	(1,500)	--
Merger costs	--	2,333	--	2,333
Income tax effect	(3,514)	(887)	(2,951)	(887)
	\$ 9,662	\$ 1,446	\$ 8,725	\$ 1,446

CONSOLIDATED INCOME STATEMENT
(IN THOUSANDS EXCEPT PER SHARE DATA)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales	\$ 46,171	\$ 85,701	\$ 120,885	\$ 160,729
Cost of sales	38,390	43,338	81,881	81,699
Gross profit	7,781	42,363	39,004	79,030
Operating expenses:				
Research and development	11,040	8,504	23,429	16,617
Sales and marketing	5,963	5,373	12,592	11,240
General and administrative	5,645	5,810	11,819	11,449
Goodwill impairment	5,446	--	5,446	--
Restructuring charge	614	--	614	--
Litigation recovery	--	--	(1,500)	--
Merger costs	--	2,333	--	2,333
(Loss) income from operations	(20,927)	20,343	(13,396)	37,391
Other (expense) income	(70)	731	117	851
Net (loss) income before income taxes and minority interest	(20,997)	21,074	(13,279)	38,242
(Benefit) provision for income taxes	(6,553)	8,023	(3,864)	13,970
Minority interest in net income (loss)	105	(67)	40	(84)
Net (loss) income	\$ (14,549)	\$ 13,118	\$ (9,455)	\$ 24,356
Net (loss) earnings per share:				
Basic	\$ (0.46)	\$ 0.42	\$ (0.30)	\$ 0.78
Diluted	\$ (0.46)	\$ 0.40	\$ (0.30)	\$ 0.75
Basic weighted-average common shares outstanding	31,698	31,314	31,623	31,238
Diluted weighted-average common shares outstanding	31,698	32,543	31,623	32,528
ADDITIONAL INFORMATION - EBITDA:				
(Loss) earnings before interest, taxes, depreciation and amortization	\$ (16,941)	\$ 23,077	\$ (5,722)	\$ 42,240
Pretax EBITDA diluted EPS	\$ (0.53)	\$ 0.71	\$ (0.18)	\$ 1.30
After tax EBITDA diluted EPS	\$ (0.37)	\$ 0.48	\$ (0.13)	\$ 0.83

CONSOLIDATED BALANCE SHEET
(IN THOUSANDS)

	June 30, 2001 ----- (unaudited)	December 31, 2000 ----- (unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 32,448	\$ 31,716
Marketable securities - trading	129,180	157,811
Accounts receivable	43,099	76,545
Notes receivable	2,472	2,472
Income tax receivable	9,865	74
Inventories	47,462	45,266
Other current assets	2,658	2,508
Deferred income tax assets, net	9,040	7,483
	-----	-----
Total current assets	276,224	323,875
Property and equipment, net	33,245	24,101
Goodwill and intangibles, net	24,936	9,890
Investments	2,452	1,824
Deferred debt issuance costs	2,015	2,261
Other assets	4,842	3,884
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Total assets	\$ 343,714 =====	\$ 365,835 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, trade	\$ 8,673	\$ 18,250
Other current liabilities	15,198	16,210
Accrued income taxes payable	1,313	7,923
Current portion of long-term debt	216	1,337
Accrued interest payable on convertible subordinated notes	529	529
	-----	-----
Total current liabilities	25,929	44,249
Long-term Liabilities:		
Capital leases and notes payable	230	1,043
Deferred income tax liability, net	1,116	--
Convertible subordinated notes payable	81,600	81,600
	-----	-----
Total long-term liabilities	82,946	82,643
Total liabilities	108,875	126,892
Minority interest	185	145
Stockholders' equity	234,654	238,798
	-----	-----
Total liabilities and stockholders' equity	\$ 343,714 =====	\$ 365,835 =====

CONSOLIDATED STATEMENT OF CASH FLOWS
(IN THOUSANDS)

	Six Months Ended June 30, 2001	2000
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (9,455)	\$ 24,356
Depreciation and amortization	8,397	5,163
Provision for inventory	7,116	--
Provision for restructuring	614	--
Loss on impairment of goodwill	5,446	--
Earnings from marketable securities, net	(2,695)	(4,781)
Accounts receivable and notes receivable	34,613	(9,259)
Inventories	(5,134)	(8,021)
Accounts payable, trade	(9,932)	683
Income taxes	(14,810)	1,976
Other	(6,861)	2,621
Net cash provided by operating activities	7,299	12,738
CASH FLOWS FROM INVESTING ACTIVITIES:		
Marketable securities	32,000	(10,000)
Proceeds from sale of equipment	--	150
Purchase of property and equipment, net	(9,442)	(5,279)
Purchase of investments	(639)	(531)
Acquisition of EMCO, net of cash acquired	(29,932)	--
Net cash used in investing activities	(8,013)	(15,660)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change from notes payable and capital lease obligations	(1,934)	(363)
Proceeds from common stock transactions	2,735	3,032
Net cash provided by financing activities	801	2,669
EFFECT OF CURRENCY TRANSLATION ON CASH	645	(666)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	732	(919)
CASH AND EQUIVALENTS, beginning of period	31,716	21,043
CASH AND EQUIVALENTS, end of period	\$ 32,448	\$ 20,124
	=====	=====