

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

AMERICAN TECHNICAL CERAMICS CORP  
Form 10-Q  
May 15, 2001

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 QUARTERLY PERIOD ENDED MARCH 31, 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 1-9125

AMERICAN TECHNICAL CERAMICS CORP.

-----  
(Exact name of Registrant as specified in its charter)

DELAWARE

11-2113382

-----  
(State or other jurisdiction of  
incorporation or organization)

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

17 STEPAP PLACE, HUNTINGTON STATION, NY

11746

-----  
(Address of principal executive offices)

-----  
(Zip Code)

(631) 622-4700

-----  
(Telephone number, including area code)

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 May 7, 2001, the Registrant had outstanding 7,995,793 shares of Common Stock, par value \$.01 per share.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (in thousands, except share data)

	March 31, 2001	June
	-----	-----
ASSET	(unaudited)	
Current Assets:		
Cash (including cash equivalents of approximately \$638 and \$448, respectively)	\$ 1,153	\$
Investments	3,592	
Accounts receivable, net	13,169	
Inventories	22,682	
Deferred income taxes, net	693	
Other current assets	1,577	
	-----	
TOTAL CURRENT ASSETS	42,866	
	-----	
Property, plant and equipment, net of accumulated depreciation and amortization of \$26,742 and \$23,957, respectively	31,182	
Other assets, net	292	
	-----	
TOTAL ASSETS	\$ 74,340	\$
	=====	=
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 3,109	\$
Accounts payable	2,717	
Accrued expenses	6,272	
Income taxes payable, net	1,388	
	-----	
TOTAL CURRENT LIABILITIES	13,486	
	-----	
Long-term debt, net of current portion	5,128	
Deferred income taxes	2,457	
	-----	
TOTAL LIABILITIES	21,071	
	-----	
Commitments and Contingencies		
STOCKHOLDERS' EQUITY:		
Common stock ---\$.01 par value; authorized 20,000 shares; Issued 8,431 and 8,370 shares, respectively	84	
Capital in excess of par value	11,239	
Retained earnings	44,081	
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on investments available-for-sale, net	103	

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

Cumulative foreign currency translation adjustment	(353)
	-----
	(250)
	-----
Less: Treasury stock, at cost (448 and 485 shares, respectively)	1,453
Deferred compensation	432
	-----
TOTAL STOCKHOLDERS' EQUITY	53,269
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 74,340
	=====

See accompanying notes to unaudited consolidated financial statements.

-2-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF EARNINGS  
 (in thousands, except per share data)

	For the Quarter Ended March 31,		For the Nine Months
	2001	2000	2001
	-----	-----	-----
Net sales	\$ 23,359	\$ 18,471	\$ 65,582
Cost of sales	13,385	9,117	37,611
	-----	-----	-----
Gross profit	9,974	9,354	27,971
	-----	-----	-----
Selling, general and administrative expenses	4,207	3,636	12,279
Research and development expenses	1,167	722	3,297
	-----	-----	-----
Operating expenses	5,374	4,358	15,576
	-----	-----	-----
Income from operations	4,600	4,996	12,395
	-----	-----	-----
Other expense (income):			
Interest expense	149	97	409
Interest income	(72)	(109)	(262)
Other	(29)	82	(58)
	-----	-----	-----
	48	70	89
	-----	-----	-----
Income before provision for income taxes	4,552	4,926	12,306
Provision for income taxes	1,593	1,724	4,307
	-----	-----	-----
Net income	\$ 2,959	\$ 3,202	\$ 7,999
	=====	=====	=====
Basic net income per common share	\$ 0.37	\$ 0.42	\$ 1.01

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

Diluted net income per common share	=====	=====	=====
	\$ 0.35	\$ 0.39	\$ 0.96
	=====	=====	=====
Basic weighted average common shares outstanding	7,973	7,688	7,950
	=====	=====	=====
Diluted weighted average common shares outstanding	8,355	8,174	8,336
	=====	=====	=====

See accompanying notes to unaudited consolidated financial statements.

-3-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	For the Nine Months Ended March 31,	
	2001	2000
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 7,999	\$ 5,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,921	2,339
(Gain) loss on disposal of fixed assets	(11)	69
Stock award compensation expense	527	--
Realized gain on sale of investments	--	(8)
Changes in operating assets and liabilities:		
Accounts receivable, net	(483)	(4,388)
Inventories	(6,549)	(1,845)
Other assets, net	(19)	(827)
Accounts payable and accrued expenses	88	3,400
Income taxes payable	1,317	1,178
	-----	-----
Net cash provided by operating activities	5,790	5,609
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(10,443)	(4,161)
Purchase of investments	(102)	(1,809)
Proceeds from sale of investments	--	1,611
Proceeds from sale of fixed assets	48	20
	-----	-----
Net cash used in investing activities	(10,497)	(4,339)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	(316)	(403)
Proceeds from exercise of stock options	356	387
Proceeds from issuance of debt	3,784	--
	-----	-----
Net cash provided by (used in) financing activities	3,824	(16)
	-----	-----

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

Effect of exchange rate changes on cash	(241)	33
	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,124)	1,287
CASH AND CASH EQUIVALENTS, beginning of year	2,277	2,898
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 1,153	\$ 4,185
	=====	=====
Supplemental cash flow information:		
Interest paid	\$ 409	\$ 285
Taxes paid	\$ 3,248	\$ 1,886

See accompanying notes to unaudited consolidated financial statements.

-4-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In thousands, except per share data)

(1) BASIS OF PRESENTATION:

The accompanying unaudited interim consolidated financial statements of American Technical Ceramics Corp. and subsidiaries (the "Registrant") reflect all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of its consolidated financial position as of March 31, 2001 and the results of its operations for the three and nine month periods ended March 31, 2001 and 2000. These consolidated financial statements should be read in conjunction with the summary of significant accounting policies and notes to consolidated financial statements included in the Registrant's Annual Report to Stockholders for the fiscal year ended June 30, 2000. Results for the three and nine month periods ended March 31, 2001 are not necessarily indicative of results which could be expected for the entire year.

Prior year share data has been revised to reflect the 2-for-1 stock split of the Registrant's Common Stock effected in the form of a 100% stock dividend effective April 24, 2000.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) SUPPLEMENTAL CASH FLOW INFORMATION:

During the nine months ended March 31, 2001, the Registrant (i) granted \$484 in deferred compensation stock awards, (ii) recognized a \$149 reduction of income taxes payable related to stock options exercised, (iii) issued treasury stock in connection with stock awards with a cost basis of \$62, and (iv) partially financed the acquisition of a building with a \$795 mortgage.

(3) INVENTORIES:

Inventories included in the accompanying consolidated financial statements consist of the following:

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

	March 31, 2001	June 30, 2000
	-----	-----
	(unaudited)	
Raw materials	\$12,151	\$ 7,892
Work-in-process	4,905	4,103
Finished goods	5,626	4,138
	-----	-----
	\$22,682	\$16,133
	=====	=====

-5-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 (In thousands, except per share data)

(4) EARNINGS PER SHARE:

The following represents a reconciliation of the numerators and denominators of the basic and diluted EPS computation.

	For the Quarter Ended March 31, 2001			
	(in thousands, except per share)			
	Income (Numerator)	Share (Denominator)	Per-Share Amount	Income (Numerator)
	-----	-----	-----	-----
Basic EPS	\$2,959	7,973	\$ .37	\$ 3,000
			====	
Effect of dilutive securities:				
Stock options		359		
Deferred compensation stock awards		23		
	-----	-----	-----	-----
Diluted EPS	\$2,959	8,355	\$ .35	\$ 3,000
	=====	=====	=====	=====

	For the Nine Months Ended March 31, 2001			
	(in thousands, except per share)			
	Income (Numerator)	Share (Denominator)	Per-Share Amount	Income (Numerator)
	-----	-----	-----	-----
Basic EPS	\$7,999	7,950	\$1.01	\$ 5,600
			=====	
Effect of dilutive securities:				
Stock options		363		
Deferred compensation stock awards		23		

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

Diluted EPS	----- \$7,999 =====	----- 8,336 =====	----- \$.96 =====	----- \$ 5,69 =====
-------------	---------------------------	-------------------------	-------------------------	---------------------------

Options covering 761 shares have been omitted from the calculation of dilutive EPS for the three and nine months ended March 31, 2001, because their inclusion would have been antidilutive.

-6-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share data)

(5) COMPREHENSIVE INCOME:

The Registrant's comprehensive income is as follows:

	For The Three Months ----- 2001 -----
Net income	\$2,959 -----
Other comprehensive loss, net of tax:	
Foreign currency translation adjustments	(295)
Unrealized gains on investments:	
Gains on investments arising during period	39
Less: reclassification adjustment for realized gains included in net income	--           39 -----
Other comprehensive loss	(256) -----
Comprehensive income	\$2,703 =====

	For The Nine Months ----- 2001 -----
Net income	\$7,999 -----
Other comprehensive (loss) income, net of tax:	
Foreign currency translation adjustments	(241)
Unrealized gains (losses) on investments:	
Gains (losses) on investments arising during period	159
Less: reclassification adjustment for realized	

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

gains included in net income	--	159
	-----	-----
Other comprehensive loss		(82)
		-----
Comprehensive income		\$7,917
		=====

-7-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
(In thousands, except per share data)

(6) LONG-TERM DEBT:

Long-term debt consists of the following:

	March 31, 2001	June 30, 2000
	-----	-----
Note payable to banks	\$5,385	\$ 984
Obligations under capital leases	2,852	2,990
	-----	-----
	8,237	3,974
Less: Current portion	3,109	488
	-----	-----
Long-term debt	\$5,128	\$3,486
	=====	=====

In August 2000, in connection with the purchase of a facility in Huntington Station, New York, the Registrant secured a mortgage loan in the principal amount of \$795 with European American Bank, N.A. (EAB). The term of the loan is 10 years. Principal is payable in 120 equal installments together with interest on the unpaid principal balance at 1.5% above the six month rate for the U.S. Dollar deposits on the London Interbank Market. The mortgage is subject to certain financial covenants, including maintenance of asset and liability percentage ratios.

In October 2000, the Registrant amended its loan agreement with Bank of America, N.A., increasing its line of credit for capital equipment purchases to \$8,500 from \$3,500. The line continues to bear interest at 1.5% above the one month rate for U.S. Dollar deposits on the London Interbank Market and is subject to certain financial covenants, including maintenance of asset and liability percentage ratios. The outstanding principal rolls over periodically into a self-amortizing term note of not less than four nor more than seven years. Borrowings under the equipment line are secured by the related equipment purchases. During the nine months ended March 31, 2001, the Registrant borrowed an additional \$3,784 under the equipment line of credit and rolled over \$1,466 into term notes. As of March 31, 2001, the Registrant has borrowed an aggregate of \$4,630 under the equipment line.

In April 2001, the Registrant entered into a credit facility with EAB, which makes available a \$5,000 line for equipment purchases and an additional \$2,000 under an unsecured term loan line. The lines bear interest at either the

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

EAB prime rate or 1.5% above the Reserve Adjusted LIBOR (as defined) and are subject to certain financial covenants. Borrowings under the equipment line will be secured by the related equipment purchases. The outstanding balance six months after the term loan line is made available and at expiration of the line (January 2002) will roll into fully amortizing term loans with a maturity of five years.

### (7) STOCK BASED COMPENSATION:

In April 2000, the Board of Directors approved the American Technical Ceramics Corp. 2000 Incentive Stock Plan (the "2000 Plan"). The 2000 Plan was approved by the stockholders on November 15, 2000. See Note 6 to the consolidated financial statements included in the Registrant's Form 10-K for the fiscal year ended June 30, 2000.

-8-

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (In thousands except share data)

The following discussion and analysis should be read in conjunction with the consolidated financial statements, related notes and other information included in this Quarterly Report on Form 10-Q.

Statements in this Quarterly Report on Form 10-Q that are not historical fact may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All such forward-looking statements are subject to risks and uncertainties, including, but not limited to, market and economic conditions, the impact of competitive products, product demand and market acceptance risks, changes in product mix, costs and availability of raw materials, fluctuations in operating results, delays in development of highly-complex products, risks associated with international sales and sales to the U.S. military, risk of customer contract or sales order cancellation and other risks detailed from time to time in American Technical Ceramics Corp.'s filings with the Securities and Exchange Commission, including, without limitation, those contained under the caption "Item 1. BUSINESS - CAUTIONARY STATEMENTS REGARDING FORWARD - LOOKING STATEMENTS" in the Registrant's Annual Report on Form 10-K. These risks could cause the Registrant's actual results for future periods to differ materially from those expressed in any forward looking statements made by, or on behalf of, the Registrant. Any forward-looking statement represents the Registrant's expectations or forecasts only as of the date they were made and should not be relied upon as representing its expectations or forecasts as of any subsequent date. The Registrant undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, even if its expectations or forecasts change.

### RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED WITH THREE MONTHS ENDED  
MARCH 31, 2000

Net sales for the three months ended March 31, 2001 increased 26% to \$23,359 from \$18,471 in the comparable quarter in the prior fiscal year. The increase in net sales was attributable to increases across most of the

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

Registrant's product lines, including thin film and newer capacitor products such as the 600 series and single layer capacitors.

The backlog of unfilled orders was \$29,241 at March 31, 2001, compared to \$18,965 at March 31, 2000 and \$30,485 at December 31, 2000. The increase in backlog compared to the prior year was primarily due to the overall strong demand for the Registrant's core capacitor and thin film products through the first half of the fiscal year. Backlog decreased from the end of the immediately preceding quarter due to decreases in the backlog for the Registrant's core capacitor products as a result of order cancellations, mainly offset by increases in thin film product backlog. Backlog for core capacitors declined approximately \$6,000 while backlog for thin film products increased approximately \$5,000.

Gross margin for the three months ended March 31, 2001 was 42.7% of net sales as compared to 50.6% for the comparable period in the prior fiscal year. The decrease in gross margin was principally due to the costs associated with initial production activity for several new product initiatives, higher palladium costs and charges to adjust certain inventory to estimated net realizable value, partially offset by higher sales volume and the resulting production efficiencies.

-9-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)  
(In thousands except share data)

Due to market price increases in palladium the Registrant's carrying cost of palladium at March 31, 2001 is considerably higher than at March 31, 2000. The Registrant has offset the increased costs of this material in part by increasing the prices of certain of its products that utilize large amounts of this material relative to their sales prices. The Registrant's newer products are being designed to minimize or eliminate the usage of palladium. At its current usage rate, the Registrant expects that, to the extent that it is not able to reflect increases in the market price of palladium in the prices of its products, these higher material prices will continue to negatively impact gross margins for the remainder of fiscal year 2001.

Order bookings for the third quarter were \$22,079 representing an 8% decrease from the preceding quarter and a 2% decrease from the comparable quarter in fiscal year 2000. Bookings were impacted by cancellations during the latter part of the third quarter. These cancellations were heavily weighted toward orders for core capacitor products placed by customers in the wireless and semiconductor markets. Bookings were down from the preceding quarter for almost all product lines, excluding thin film products. Subsequent to the end of the quarter, the Registrant started to experience significant bookings declines and cancellations from customers in the fiber optics marketplace similar to those experienced in other markets during the third quarter. As a result of the decrease in demand for the Registrant's products, a charge to adjust certain inventory to estimated net realizable value was taken in the third quarter of the current fiscal year.

Selling, general and administrative expenses for the three months ended March 31, 2001 increased 16% to \$4,207 as compared to \$3,636 in the comparable period in the prior fiscal year. The increase was due to increased commission

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

expense as a result of the increase in net sales, and increased payroll related expenses due to additional employees to cover expanded European operations, growth in newer product lines and development of new information technology systems. As a percentage of sales, selling, general and administrative expenses decreased to 18.0% from 19.7% in the comparable quarter in the prior fiscal year.

Research and development expenses for the three months ended March 31, 2001 increased 62% to \$1,167 as compared to \$722 in the comparable period in the prior fiscal year. This increase was primarily the result of increased personnel costs to support accelerated future product development and to further increase the breadth of the Registrant's research and development activities.

Interest expense for the three months ended March 31, 2001 was \$149 compared to \$97 for the comparable period in fiscal year 2000. The increase in interest expense related primarily to additional borrowings for the purchase of capital equipment. Interest income was \$72 for the three months ended March 31, 2001 compared to \$109 for the comparable period in fiscal year 2000. The decrease in interest income was attributable to a decrease in cash available for investment during the quarter. The Registrant had other income for the quarter of \$29 as compared to other expense of \$82 for the comparable quarter in fiscal year 2000. The increase in other income was primarily due to the Registrant's participation in a state funded program. Other expenses in the prior fiscal year consisted mainly of losses incurred upon disposal of fixed assets.

-10-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)  
(In thousands except share data)

Primarily as a result of the foregoing, net income for the three months ended March 31, 2001 was \$2,959, or \$.37 per common share (\$.35 per common share assuming dilution), compared to net income of \$3,202, or \$.42 per common share (\$.39 per common share assuming dilution), for the comparable period in the prior fiscal year.

In light of the decline in bookings for the Registrant's products which began in the later part of the third quarter, the Registrant expects declines in sales and net income for the fourth quarter. In response to these declines, the Registrant has reduced its workforce, scaled back some of its research and development programs and has implemented several other cost cutting measures.

### NINE MONTHS ENDED MARCH 31, 2001 COMPARED WITH NINE MONTHS ENDED MARCH 31, 2000

Net sales for the nine months ended March 31, 2001 increased 45% to \$65,582 as compared to net sales of \$45,308 for the comparable period in the prior fiscal year. The increase in net sales for the nine months was attributable to increases across most of the Registrant's product lines, including thin film and newer capacitor products such as the 600 series and single layer capacitors.

Gross margin for the nine months ended March 31, 2001 was 42.7% of net sales as compared to 43.3% for the comparable period in the prior fiscal year. The decrease in gross margin for the nine months ended March 31, 2001 versus the comparable period of the prior fiscal year was primarily due to increased costs of palladium, a charge to adjust certain inventory to estimated net realizable

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

value, and the commencement of several new product initiatives, offset somewhat by the higher sales volume and the resulting increase in production efficiencies. The cost of palladium has increased significantly over the past nine months, which has negatively impacted current results and will continue to impact results for the balance of the fiscal year.

Selling, general and administrative expenses for the nine months ended March 31, 2001 increased 39% to \$12,279 as compared to \$8,806 in the comparable period in the prior fiscal year. The increase was due to increased commission expense as a result of the increase in net sales, higher bonus accruals due to increased profitability and increased payroll related expenses due to additional employees to cover expanded European operations, growth in newer product lines and development of new information technology systems. As a percentage of sales, selling, general and administrative expenses decreased to 18.7% from 19.4% in the comparable period in the prior fiscal year.

Research and development expenses for the nine months ended March 31, 2001 increased 67% to \$3,297 as compared to \$1,970 in the comparable period in the prior fiscal year. This increase was primarily the result of increased personnel costs to support accelerated future product development and to further increase the breadth of the Registrant's research and development activities.

-11-

### AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED) (In thousands except share data)

Interest expense for the nine months ended March 31, 2001 was \$409 compared to \$285 for the comparable period in fiscal year 2000. The increase in interest expense related primarily to additional borrowings for the purchase of capital equipment. Interest income was \$262 for the nine months ended March 31, 2001 compared to \$261 for the comparable period in fiscal year 2000. The Registrant had other income for the current period of \$58 as compared to other expense of \$66 for the comparable period in fiscal year 2000.

As a result of the foregoing, net income amounted to \$7,999, or approximately \$1.01 per common share (\$.96 per common share assuming dilution), for the nine months ended March 31, 2001 compared to net income of \$5,691, or approximately \$.74 per common share (\$.71 per common share assuming dilution), for the comparable period in the prior fiscal year.

#### LIQUIDITY AND CAPITAL RESOURCES

The Registrant's financial position at March 31, 2001 remains strong as evidenced by working capital of \$29,380 and stockholders' equity of \$53,269. The Registrant's current ratio at March 31, 2001 was 3.2 as compared to a current ratio of 3.8:1 at June 30, 2000. The Registrant's quick ratio at March 31, 2001 was 1.5:1 compared to the quick ratio at June 30, 2000 of 2.1:1.

Cash, cash equivalents and investments decreased by \$778 to \$4,745 at March 31, 2001 from \$5,523 at June 30, 2000, primarily as a result of continued investment in property, plant and equipment, partially offset by cash provided by operations. Accounts receivable increased by \$483 to \$13,169 at March 31, 2001 from \$12,686 at June 30, 2000, primarily due to strong third quarter sales. Inventories increased by \$6,549 to \$22,682 at March 31, 2001 from \$16,133 at June 30, 2000. The increase is primarily the result of increased palladium costs, increased amounts of palladium and gold in inventory to support higher

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

production volume, an increase in finished goods inventory at our Sweden facility and increased work in process for core capacitors due to higher production to satisfy increased demand and to increase inventories to shorten core product delivery times.

The Registrant has available two credit facilities with Bank of America, N.A.; a revolving line of credit of \$4,000 and an equipment line of credit of \$8,500. The outstanding principal balance under both lines bears interest at 1.5% above the one month rate for U.S. Dollar deposits on the London Interbank Market and is subject to certain financial covenants, including maintenance of asset and liability percentage ratios. The outstanding principal balance of the equipment line rolls over periodically into a self-amortizing term note of not less than four nor more than seven years. Borrowings under the equipment line are secured by the related equipment purchases.

During the nine months ended March 31, 2001, the Registrant borrowed an additional \$3,784 under the equipment line of credit and rolled \$1,466 over into a term loan. As of March 31, 2001, the Registrant has outstanding an aggregate of \$4,630 under the equipment line and nothing outstanding under its revolving line of credit with Bank of America, N.A. The Registrant has \$3,870 available under the equipment line and an additional \$4,000 available under the revolving line of credit.

-12-

AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (CONTINUED)  
(In thousands except share data)

In August 2000, in connection with the purchase of a facility in Huntington Station, New York, the Registrant secured a mortgage loan in the principal amount of \$795 with European American Bank, N.A. (EAB). The term of the loan is 10 years. Principal is payable in 120 equal installments together with interest on the unpaid principal balance at 1.5% above the six month rate for the U.S. Dollar deposits on the London Interbank Market. The mortgage is subject to certain financial covenants, including maintenance of asset and liability percentage ratios.

In April 2001, the Registrant entered into a credit facility with EAB, which makes available a \$5,000 line for equipment purchases and an additional \$2,000 under an unsecured term loan line. The lines bear interest at either the EAB prime rate or 1.5% above the Reserve Adjusted LIBOR (as defined) and are subject to certain financial covenants. Borrowings under the equipment line will be secured by the related equipment purchases. The outstanding balance six months after the term loan line is made available and at expiration of the line (January 2002) will roll into fully amortizing term loans with a maturity of five years.

Capital expenditures for the nine months ended March 31, 2001 totaled \$10,443 of which \$6,678 was for machinery and equipment, \$1,470 for building and leasehold improvements of which \$725 was for the purchase and renovation of the new facility in Huntington Station, New York, and \$1,325 for a new information technology system. The Registrant intends to use cash on hand and available lines of credit to finance budgeted capital expenditures, primarily for equipment acquisition and facility expansion, of approximately \$1,500 for the remainder of fiscal year 2001.

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

### ITEM 3. AMERICAN TECHNICAL CERAMICS CORP. AND SUBSIDIARIES QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Registrant has identified four market risks relative to its business: interest rate risk, foreign currency exchange rate risk, commodity price risk and security price risk. There has been no material changes in the way the Registrant conducts its worldwide business, foreign exchange risk management, investments in marketable securities or raw material commodity purchasing from the descriptions thereof in the Registrant's Form 10-K for the fiscal year ended June 30, 2000.

-13-

### PART II - OTHER INFORMATION

ITEMS 1. THROUGH 5. Not Applicable

ITEM 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS:

Unless otherwise indicated, the following exhibits were filed as part of the Registrant's Registration Statement on Form S-18 (No. 2-96925-NY) and are incorporated herein by reference to the same exhibit thereto:

EXHIBIT NO.	DESCRIPTION
-----	-----
3(a) (i)	- Certificate of Incorporation of the Registrant.
3(a) (ii)	- Amendment to Certificate of Incorporation. (4)
3(b) (i)	- By-laws of the Registrant.
9(a) (i)	- Restated Shareholders' Agreement, dated April 15, 1985, among Victor Insetta, Joseph Mezey, Joseph Colandrea and the Registrant.
10(b) (i)	- Amended and Restated Lease, dated September 25, 1998, between Victor Insetta, d/b/a Stepar Leasing Company, and the Registrant for premises at 15 Stepar Place, Huntington Station, N.Y. (9)
10(c) (i)	- 1985 Employee Stock Sale Agreement between the Registrant and various employees.
10(c) (ii)	- Form of Employee Stock Bonus Agreement, dated as of July 1, 1993, between the Registrant and various employees. (3)
10(c) (iii)	- Form of Employee Stock Bonus Agreement, dated as of April 19, 1994, between the Registrant and various employees. (3)
10(c) (iv)	- Form of Employee Stock Bonus Agreement, dated as of April 20, 1995, between the Registrant and various employees. (4)
10(e) (i)	- Second Amended and Restated Lease, dated as of May 16, 2000, between, V.P.I. Properties Associates, d/b/a V.P.I. Properties Associates, Ltd., and American Technical Ceramics (Florida), Inc. (13)

## Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

- 10(f) - Purchase Agreement, dated May 31, 1989, by and among Diane LaFond Insetta and/or Victor D. Insetta, as custodians for Danielle and Jonathan Insetta, and American Technical Ceramics Corp., and amendment thereto, dated July 31, 1989. (4)
- 10(g) (iii) - Profit Bonus Plan, dated April 19, 1995, and effective for the fiscal years beginning July 1, 1994. (4)

-14-

- 10(g) (iv) - Employment Agreement, dated April 3, 1985, between Victor Insetta and the Registrant, and Amendments No. 1 through 4 thereto. (2)
- 10(g) (v) - Amendment No. 5, dated as of September 11, 1998, to Employment Agreement between Victor Insetta and the Registrant. (8)
- 10(g) (vi) - Amendment No. 6, dated as of January 3, 2001, to Employment Agreement between Victor Insetta and the Registrant. (14)
- 10(h) - Employment Agreement, dated September 1, 2000, between the Registrant and Richard Monsorno (14)
- 10(i) - Managers Profit Bonus Plan, dated December 7, 1999, and effective January 1, 2000. (12)
- 10(k) - Consulting Agreement, dated October 2000, between the Registrant and Stuart P. Litt (14)
- 10(m) (i) - American Technical Ceramics Corp. 1997 Stock Option Plan (7)
- 10(m) (ii) - American Technical Ceramics Corp. 2000 Incentive Stock Plan (12)
- 10(o) - Loan Agreement, dated November 25, 1998, between the Registrant and NationsBank, N.A. (10)
- 10(o) (ii) - Amendment to loan Agreement, dated April 13, 2000, between the Registrant and Bank of America, N.A., as successor to NationsBank, N.A. (12)
- 10(o) (iii) - Amendment to loan Agreement, dated October 26, 2000, between the Registrant and Bank of America, N.A., as successor to NationsBank, N.A. (14)
- 10(o) (iv) - Amendment to loan Agreement, dated March 30, 2001, between the Registrant and Bank of America, N.A., as successor to NationsBank, N.A. (15)
- 10(p) - Amended and Restated Employment Agreement, dated as of January 1, 1998, between Judah Wolf and the Registrant. (11)
- 10(q) - Mortgage Note between American Technical Ceramics Corp. and European American Bank, N.A., dated as of August 17, 2000. (13)
- 10(r) - Employment Agreement, dated April 10, 2001, between the Registrant and David Ott (15)

Edgar Filing: AMERICAN TECHNICAL CERAMICS CORP - Form 10-Q

21 - Subsidiaries of the Registrant. (2)

-15-

1. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1989.
2. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1993.
3. Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1994.
4. Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995.
5. Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1996.
6. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1997.
7. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the quarterly period ended June 30, 1997.
8. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998.
9. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998.
10. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1998.
11. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999.
12. Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2000.
13. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2000.
14. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2000.
15. Filed herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the quarter ended March 31, 2001.

-16-

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.

AMERICAN TECHNICAL CERAMICS CORP.  
(Registrant)

DATE: May 14, 2001

BY: /s/ VICTOR INSETTA

-----  
Victor Insetta  
President  
(Chief Executive Officer)

DATE: May 14, 2001

BY: /s/ ANDREW R. PERZ

-----  
Andrew R. Perz  
Vice President and  
Controller  
(Principal Financial Officer)