TTM TECHNOLOGIES INC
Form 10-Q
August 13, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

þ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 2, 2007

Commission File Number: 0-31285

TTM TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**91-1033443**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2630 South Harbor Boulevard, Santa Ana, California 92704

(Address of principal executive offices)

(714) 327-3000

(Registrant s 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 þ No o

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 o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

Number of shares of common stock, $0.001 par value, of registrant outstanding at August 8, 2007: 42,259,274

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Balance Sheets
As of December 31, 2006 and July 2, 2007
(unaudited)
(In thousands)

	December 31, 2006	July 2, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 59,660	$ 26,131
Short-term investments	10,996	
Accounts receivable, net of allowances of $7,201 and $8,024, respectively	125,435	110,366
Inventories, net	67,020	64,585
Prepaid expenses and other	3,924	2,827
Income taxes receivable	717	109
Asset held for sale		1,587
Deferred income taxes	3,996	3,996
Total current assets	271,748	209,601
Property, plant and equipment:		
Property, plant and equipment	206,686	192,890
Less: accumulated depreciation	(55,849)	(65,047)
Property, plant and equipment, net	150,837	127,843
Other assets:		
Debt issuance costs, net of accumulated amortization of $175 and $2,713, respectively	5,711	3,349
Deferred income taxes	2,685	1,684
Goodwill	115,627	133,178
Definite-lived intangibles, net of accumulated amortization of $9,614 and $11,748, respectively	26,235	24,100
Deposits and other	855	852
Total other assets	151,113	163,163
	$ 573,698	$ 500,607
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion long-term debt	$ 60,705	$ 50,000
Accounts payable	49,276	45,402
Accrued salaries, wages and benefits	24,189	22,399

Other accrued expenses	10,173	5,306
Total current liabilities	144,343	123,107
Long-term debt, less current portion	140,000	70,000
Other long-term liabilities, less current portion	2,040	2,253
Total long-term liabilities	142,040	72,253
Stockholders equity:		
Common stock, $0.001 par value; 100,000 shares authorized, 42,093 and 42,236 shares issued and outstanding, respectively	42	42
Additional paid-in capital	167,850	170,401
Retained earnings	119,316	134,303
Accumulated other comprehensive income	107	501
Total stockholders equity	287,315	305,247
	$ 573,698	$ 500,607

See accompanying notes to consolidated condensed financial statements.

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Operations
For the Quarter and Two Quarters Ended July 3, 2006 and July 2, 2007
(unaudited)
(In thousands, except per share data)

	Quarter Ended		Two Quarters Ended	
	July 3, 2006	**July 2, 2007**	**July 3, 2006**	**July 2, 2007**
Net sales	$ 76,683	$ 162,016	$ 149,371	$ 338,913
Cost of goods sold	53,714	132,470	106,199	274,646
Gross profit	22,969	29,546	43,172	64,267
Operating expenses:				
Selling and marketing	3,454	7,551	6,813	15,111
General and administrative	3,663	7,890	7,247	16,232
Amortization of definite-lived intangibles	301	1,046	601	2,071
Total operating expenses	7,418	16,487	14,661	33,414
Operating income	15,551	13,059	28,511	30,853
Other income (expense):				
Interest expense	(45)	(3,368)	(106)	(8,466)
Interest income and other, net	1,118	236	2,095	995
Total other income (expense), net	1,073	(3,132)	1,989	(7,471)
Income before income taxes	16,624	9,927	30,500	23,382
Income tax provision	(6,068)	(3,743)	(11,133)	(8,733)
Net income	$ 10,556	$ 6,184	$ 19,367	$ 14,649
Basic earnings per share	$ 0.25	$ 0.15	$ 0.47	$ 0.35
Diluted earnings per share	$ 0.25	$ 0.15	$ 0.46	$ 0.35

See accompanying notes to consolidated condensed financial statements.

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TTM TECHNOLOGIES, INC.
Consolidated Condensed Statements of Cash Flows
For the Two Quarters Ended July 3, 2006 and July 2, 2007
(unaudited)
(In thousands)

	Two Quarters Ended	
	July 3, 2006	July 2, 2007
Cash flows from operating activities:		
Net income	$ 19,367	$ 14,649
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	4,856	11,604
Net gain on sale of property, plant and equipment	(12)	(200)
Amortization of definite-lived intangible assets	659	2,129
Amortization of debt issuance costs		2,538
Excess income tax benefit from common stock options exercised	(621)	(137)
Deferred income taxes	2,870	762
Stock-based compensation	589	1,545
Other	(182)	57
Changes in operating assets and liabilities, net of effect of acquired businesses:		
Accounts receivable, net	(6,206)	14,026
Inventories, net	(1,322)	2,412
Prepaid expenses and other	803	1,089
Income tax receivable		609
Accounts payable	802	(3,874)
Accrued contingencies	(2,465)	(560)
Accrued salaries, wages and benefits and other accrued expenses	2,146	(4,635)
Income taxes payable	(471)	
Net cash provided by operating activities	20,813	42,014
Cash flows from investing activities:		
Purchase of property, plant and equipment and equipment deposits	(5,639)	(8,463)
Proceeds from sale of property, plant and equipment	22	1,283
Purchases of held-to-maturity short-term investments	(27,322)	
Proceeds from redemptions of held-to-maturity short-term investments	28,385	11,000
Purchase of intangibles	(350)	
Direct acquisition costs	(566)	
Net cash provided by (used in) investing activities	(5,470)	3,820
Cash flows from financing activities:		
Proceeds from exercise of common stock options	3,750	799
Principal payments on long-term debt		(80,705)
Payment of debt issuance costs		(176)
Excess income tax benefit from common stock options exercised	621	137

Net cash provided by (used in) financing activities		4,371		(79,945)
Effect of foreign currency exchange rates on cash and cash equivalents				582
Net increase (decrease) in cash and cash equivalents		19,714		(33,529)
Cash and cash equivalents at beginning of period		61,258		59,660
Cash and cash equivalents at end of period	$	80,972	$	26,131
Supplemental cash flow information:				
Cash paid for interest	$	47	$	5,259
Cash paid for income taxes		8,733		7,202

Supplemental disclosures of noncash investing and financing activities:

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes. As a result of the implementation of FIN 48, we recognized a $338 decrease to our liability for unrecognized tax benefits, and a corresponding increase to our January 1, 2007 accumulated retained earnings beginning balance.

See accompanying notes to consolidated condensed financial statements.

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TTM TECHNOLOGIES, INC.
Notes to Consolidated Condensed Financial Statements
(unaudited)
(Dollars and shares in thousands, except per share data)

(1) Nature of Operations and Basis of Presentation

TTM Technologies, Inc. (the Company), formerly Pacific Circuits, Inc., was incorporated under the laws of the State of Washington on March 20, 1978 and reincorporated under the laws of the State of Delaware on August 29, 2005. In July 1999, Power Circuits, Inc. was acquired, and on December 26, 2002, Honeywell Advanced Circuits, Inc., renamed to TTM Advanced Circuits, Inc., (Advanced Circuits), was acquired, and both became wholly owned subsidiaries of TTM Technologies, Inc. TTM Technologies International, Inc. was established as a wholly owned subsidiary of TTM Technologies, Inc. in December 2004.

On October 27, 2006, TTM Technologies, Inc. acquired certain assets, assumed certain liabilities and acquired certain equity interests of Tyco Printed Circuit Group LP (PCG) from Tyco International, Ltd. In this transaction, the stock of Tyco Packaging Systems (Shanghai) Co. Ltd. and Tyco Iota, Ltd. were purchased, and the acquired assets and assumed liabilities were placed into new, wholly owned subsidiaries TTM Printed Circuit Group, Inc., TTM Technologies (Ireland) Ltd., TTM Technologies, (Ireland) EU Ltd., and TTM Technologies, (Switzerland) GmbH (see Note 2). TTM Technologies, Inc. and its wholly owned subsidiaries are collectively referred to as (the Company). The Company is a manufacturer of complex printed circuit boards used in sophisticated electronic equipment and provides backplane and sub-system assembly services for both standard and specialty products in defense and commercial operations. The Company sells to a variety of customers located both within and outside of the United States of America.

The accompanying consolidated condensed financial statements have been prepared by TTM Technologies, Inc., without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated condensed financial statements reflect all adjustments (consisting only of normal recurring adjustments), which, in the opinion of management, are necessary to present fairly the financial position, the results of operations and cash flows of the Company for the periods presented. It is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s most recent Annual Report on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Company s Consolidated Condensed Financial Statements and accompanying notes. Actual results could differ materially from those estimates. The Company uses a 13-week fiscal quarter accounting period with the first quarter ending on the Monday closest to April 1 and the fourth quarter always ending on December 31. The second quarters ended July 3, 2006 and July 2, 2007 each contained 91 days. The two quarters ended July 3, 2006 and July 2, 2007 contained 184 and 183 days, respectively.

(2) Acquisition of Tyco Printed Circuit Group

On October 27, 2006, the Company acquired substantially all of the assets of the Printed Circuit Group business unit of Tyco International Ltd. in accordance with the terms of the Stock and Asset Purchase Agreement, dated August 2, 2006, by and among Tyco Printed Circuit Group LP, Tyco Electronics Corporation, Raychem International, Tyco Kappa Limited, Tyco Electronics Logistics AG, and TTM Printed Circuit Group, Inc. (Agreement). TTM Printed Circuit Group, Inc. (f/k/a TTM (Ozarks) Acquisition, Inc.) is a wholly owned subsidiary of TTM Technologies, Inc. The Tyco Printed Circuit Group (PCG) is a leading producer of complex, high performance and specialty printed circuit boards (PCBs), one of the major suppliers of aerospace and defense PCBs in North America, and a provider of backplane and sub-assembly services for both standard and specialty products in defense and commercial operations. The purchase makes the Company the largest North American manufacturer of PCBs. These factors contributed to establishing the purchase price, which resulted in the recognition of $70,025 of goodwill, $57,883 of which is expected to be deductible for income taxes. The purchase price was $226,784 in cash, which included adjustments of $1,184 for working capital and capital expenditures. The total cost of the acquisition, including transaction fees and expenses, was approximately $236,970, which included $6,050 in cash acquired.

In accordance with SFAS No. 141 Business Combinations, the Company recorded this acquisition using the purchase method of accounting. The purchase price has been preliminarily allocated to tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values. The excess purchase price over the fair value of tangible and intangible assets acquired and liabilities assumed was recorded as goodwill. Fair values were based upon a valuation of tangible and identifiable intangible assets acquired, including useful lives, as estimated by management of the Company with the assistance of an independent appraiser. The following sets forth the preliminary allocation of the purchase consideration:

Cash	$ 6,050
Other current assets	132,403
Property, plant and equipment	80,514
Intangible assets	17,470
Goodwill	70,025
Other non-current assets	318
Liabilities assumed	(69,810)
Net assets acquired	$ 236,970

The fair values assigned to the assets acquired and liabilities assumed in our 2006 acquisition of PCG have not been finalized and are subject to change pending the receipt of additional information necessary to finalize the fair values of accounts receivable, property, plant and equipment and certain other accrued expenses. The additional information includes adequate support for certain credits in accounts receivable and information to finalize certain other accrued expenses. During the second quarter ended July 2, 2007, the Company continued to evaluate the fair market value of assets acquired and liabilities assumed including certain other accrued expenses. During the second quarter ended July 2, 2007, changes to the preliminary allocation of the purchase consideration were made to increase the fair value of accounts receivable, net, by $356 as a result of additional information received regarding fair value of certain receivables; decrease property, plant and equipment by $812 due to completion of the compilation and appraisal of property and equipment acquired at all but one of the plants; and reduce certain liabilities assumed in the amount of $254. As a result of these changes in preliminary purchase price allocations, the Company recorded a net increase to goodwill of $202. The preliminary allocation of the purchase consideration provided above reflects these purchase price adjustments. The Company will continue to obtain the necessary information to finalize the fair values of these items during 2007 and may make further purchase accounting adjustments, if appropriate, which would primarily affect the amount of goodwill that we recorded.

In accordance with EITF No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, the Company recorded as a cost of the acquisition involuntary employee severance and other exit activity liabilities of $3,225 associated with its plan to close the PCG Dallas, Oregon facility, which is part of the PCB Manufacturing segment, and terminate certain sales employees of the acquired business. Prior to completing the acquisition, the Company began assessing the need to close certain PCG facilities, and on December 7, 2006, the Company finalized its plan to close the Dallas facility. Production was ceased at the Dallas facility during the second quarter of 2007 and the Company commenced the process of selling the building and certain assets. As of July 2, 2007 the Company reclassified the then preliminary determined fair value of the Dallas facility in the amount of $1,587 as held for sale. The Company also recorded a charge of $199 in 2006 to establish a restructuring reserve for a corporate realignment, all of which was fully paid at the end of the first quarter 2007. The beginning and ending balance of restructuring charges is included in other accrued expenses. The table below shows the utilization of the accrued restructuring charges during the second quarter ended July 2, 2007.

	Severance	Other Exit Charges	Total
Accrued at December 31, 2006	$ 3,147	$ 114	$ 3,261
Utilization	(3,058)	(65)	(3,123)
Accrued at July 2, 2007	$ 89	$ 49	$ 138

The unaudited pro forma information below presents the results of operations for the quarter and two quarters ended July 3, 2006 as if the PCG acquisition occurred effective January 1, 2006, after giving effect to certain adjustments (depreciation and amortization of tangible and intangible assets, to remove expenses related to assets not acquired and liabilities not assumed, interest expense and amortization of deferred financing costs related to the acquisition debt and the related income tax effects). The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made at the beginning of the presented period or of the results which may occur in the future.

	Quarter Ended July 3, 2006	Two Quarters Ended July 3, 2006
Net sales	$ 181,171	$ 355,886
Net income	6,295	12,354
Basic earnings per share	$ 0.15	$ 0.30
Diluted earnings per share	$ 0.15	$ 0.29

(3) Cash Equivalents and Short-Term Investments

The Company considers highly liquid investments with insignificant interest rate risk and original maturities to the Company of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of interest-bearing bank accounts, money market funds and short-term debt securities.

The Company considers highly liquid investments with an effective maturity to the Company of more than three months and less than one year to be short-term investments.

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Management determines the appropriate classification of investments at the time of purchase and reevaluates such designation as of each balance sheet date. Debt securities that the Company has the ability and intent to hold until maturity are accounted for as held-to-maturity securities and are carried at amortized cost, which approximates fair market value. Available-for-sale debt securities are carried at fair value, which approximates cost.

Short-term investments as of December 31, 2006 and July 2, 2007 were as follows:

	December 31, 2006	July 2, 2007
Available-for-sale:		
Money market funds	$ 40,713	$ 16,918
Held-to-maturity:		
Corporate bonds and notes	11,311	
U.S. Treasury and federal agency securities	8,330	
	19,641	
Total short-term investments	60,354	16,918
Amounts classified as cash equivalents	49,358	16,918
Amounts classified as short-term investments	$ 10,996	$

As of July 2, 2007, the Company held no debt securities.

For the year ended December 31, 2006 and each of the quarters ended July 3, 2006 and July 2, 2007, realized gains and losses upon the sale of available-for-sale investments were insignificant. Unrealized gains and losses on available-for-sale investments are insignificant for all periods and accordingly have not been recorded as a component of accumulated other comprehensive income. The specific identification method is used to compute the realized gains and losses on debt investments.

The Company regularly monitors and evaluates the realizable value of its investments. When assessing investments for other-than-temporary declines in value, the Company considers such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, the collateral supporting the investments, insurance policies which protect the Company s investment position, and the credit rating issued for the securities by one or more of the major credit rating agencies.

(4) Inventories

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market. Provision is made to reduce excess and obsolete inventories to their estimated net realizable value. Inventories as of December 31, 2006 and July 2, 2007 consist of the following:

	December 31 , 2006	July 2, 2007
Raw materials	$ 22,718	$ 23,376
Work-in-process	37,804	34,415
Finished goods	6,498	6,794
	$ 67,020	$ 64,585

(5) Long-term Debt and Credit Agreement

The following table summarizes the long-term debt of the Company at July 2, 2007:

	July 2, 2007
Term loan due October 27, 2012	$ 120,000
Borrowings under revolving loan due October 27, 2011	
Capitalized leases	
	120,000
Less current maturities	(50,000)
Long-term debt, less current maturities	$ 70,000

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On October 27, 2006, the Company entered into a credit agreement (the Credit Agreement) with certain lenders lead by UBS Securities LLC. The Credit Agreement provides for a $200,000 senior secured term loan, which matures in October 2012, and a $40,000 senior secured revolving loan facility, which matures in October 2011. Borrowings under the Credit Agreement will bear interest at a floating rate of either a base rate (the Alternate Base Rate) plus an applicable interest margin or LIBOR plus an applicable interest margin. The Alternate Base Rate is equal to the greater of (i) the federal funds rate plus 0.50% or (ii) the prime rate. Under terms of the Credit Agreement, borrowings under the term loan and the revolving loan facility will, at the Borrower s option, initially bear interest at a rate based on either (a) LIBOR plus 2.25% or (b) the Alternate Base Rate plus 1.25%. The applicable interest margins on both Alternate Base Rate loans and LIBOR loans under the revolving loan facility may decrease under the terms of the Credit Agreement by up to 0.50% as the Company s total leverage ratio decreases. There is no provision in the Credit Agreement, other than an event of default, for these interest margins to increase. Each calendar year the Company is required to repay 1% of the outstanding term loan balance, subject to adjustment for prior period repayments, and excess cash flow as defined in the Credit Agreement. Discretionary use of cash or cash flow by the Company is constrained by certain leverage and interest coverage ratio tests required to be met under the terms of the Credit Agreement. These ratios become more restrictive over each of the next successive quarters. If the financial performance of the Company falls short of expectations, then the Company might be required to repay additional debt beyond current planned repayments. At July 2, 2007 the Company is in compliance with all provisions of the credit agreement including the leverage and interest coverage ratios.

At July 2, 2007 the weighted average interest rate on the outstanding borrowings was 7.51%. At December 31, 2006 the weighted average interest rate on the outstanding borrowings was 8.51%. This rate was higher at year end due to $95,000 of the borrowing being maintained under the Alternate Base Rate prior to repayment and entering a hedge. Additionally, the rate for the second fiscal quarter 2007 includes the benefit of the interest rate swap put in place on January 25, 2007. The Company capitalized $240 in interest expense in the second fiscal quarter to construction in progress for assets that are being constructed for use. This capitalized interest will be amortized over the useful life of the related asset once the asset is ready for its intended use. The revolving loan facility contains a $10,000 letter of credit sub-facility. The Company may borrow, repay, and reborrow under the revolving loan facility at any time. The New Financings are rated BB by Standard and Poor s and B1 by Moody s. The Company is required to pay an unused commitment fee of 0.50% per annum on the unused portion of the revolving facility. As of July 2, 2007, $300 of standby letters of credit were outstanding. Available borrowing capacity under the revolving loan facility was $39,700 at July 2, 2007.

The Credit Agreement contains customary limitations, including limitations on the incurrence of debt; limitations on liens; limitations on investments and acquisitions; limitations on dividends, stock repurchases, stock redemptions and the redemption or prepayment of other debt; limitations on mergers, consolidations or sales of assets; limitations on capital expenditures; and limitations on transactions with affiliates. The Company is also subject to financial covenants, including a maximum total leverage ratio and minimum interest coverage ratio. The term loan and revolving loan facility are secured by substantially all of the Company s domestic assets and 65% of the Company s foreign assets.

Effective January 25, 2007, the Company entered into a three-year pay-fixed, receive floating (3-month LIBOR) amortizing interest rate swap arrangement with a notional amount of $70,000 at inception. The swap applied a fixed interest rate against the first interest payments of the portion of the $200,000 six-year term loan arrangement entered into to facilitate the acquisition of PCG. The notional amount of the swap amortizes to zero over the term of the swap, consistent with our planned debt pay down and the credit agreement requirement of maintaining interest rate protection on at least 40% of term loan debt at any given point in time. At the time of the inception of the swap, the balance of the term loan was $175,000. The notional value underlying the hedge at July 25, 2007 declined to $58,000. Under the terms of the interest rate swap, the Company pays a fixed rate of 5.209%. As of July 2, 2007, the corresponding LIBOR rate was 5.355%.

At swap inception, the Company formally designated the interest rate swap as a cash flow hedge pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The Company employed the dollar offset method by performing a shock test to assess effectiveness. At inception of the interest rate swap, and at least quarterly thereafter, on a retrospective basis, effectiveness testing of the hedge relationship and measurement to quantify ineffectiveness is performed using the hypothetical derivative method. Quarterly prospective testing will determine if the Company expects the hedging relationship to continue to be highly effective by comparing the key terms of the hedged item, the hypothetical perfect swap, and the actual swap. Here, the Company will evaluate if any changes have occurred with the terms of the hedged debt and confirm that there are no changes in the hypothetical derivative. The swap was structured to meet critical terms of the term loan debt. The swap is expected to remain highly effective for the life of the hedge. The Company will also evaluate whether the risk of default by the counterparty to the swap contract has changed. Default risk has not changed during the period and exposure to credit risk is considered low because the swap agreement has been entered into with a creditworthy institution.

To the extent the instruments are considered to be effective, changes in fair value are recorded as a component of accumulated other comprehensive income (loss). To the extent there is any hedge ineffectiveness, changes in fair value relating to the ineffective portion are immediately recognized in earnings (interest expense). No ineffectiveness was recognized in the current period. As of July 2, 2007, the fair value of the swap was recorded as an asset in other accrued expenses of $50 and the effective offset is recorded in accumulated other comprehensive income, net of tax, in our Consolidated Condensed Balance Sheet. The benefit to interest expense for the quarter ending July 2, 2007 was $24.

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The components of interest expense were as follows:

	Quarter Ended	
	July 3, 2006	July 2, 2007
Interest expense	$ (25)	$ (2,379)
Amortization of debt issuance costs	(20)	(989)
Interest expense	$ (45)	$ (3,368)

	Two Quarters Ended	
	July 3, 2006	July 2, 2007
Interest expense	$ (67)	$ (5,928)
Amortization of debt issuance costs	(39)	(2,538)
Interest expense	$ (106)	$ (8,466)

(6) Comprehensive Income

The components of accumulated other comprehensive income generally include foreign currency translation adjustments and unrealized gains and losses on effective cash flow hedges. The computation of comprehensive income was as follows:

	Quarter Ended	
	July 3, 2006	July 2, 2007
Net income	$ 10,556	$ 6,184
Other comprehensive income:		
Foreign currency translation adjustments, net of tax		199
Unrealized gain on effective cash flow hedges, net of tax		237
Total other comprehensive income, net of tax		436
Comprehensive income	$ 10,566	$ 6,620

