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OMB APPROVAL

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**UNITED STATES  
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: November 2, 2004)

**SUN HYDRAULICS CORPORATION**

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(Exact name of registrant as specified in its charter)

Florida	0-21835	59-2754337
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
1500 West University Parkway, Sarasota, Florida		34243
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code 941-362-1200

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(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

By press release dated November 2, 2004, the Registrant announced its financial results for the third quarter 2004.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits.

99.1 Press release dated November 2, 2004.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn  
Richard J. Dobbyn  
Chief Financial Officer (Principal Financial and  
Accounting Officer)

Dated: November 3, 2004

FOR RELEASE: Immediately

## CONTACT:

RICHARD ARTER      INVESTOR RELATIONS      941-362-1200  
 RICHARD DOBBYN      CHIEF FINANCIAL OFFICER      941-362-1200

## SUN HYDRAULICS CORPORATION THIRD QUARTER NET INCOME EXCEEDS EXPECTATIONS

SARASOTA, FLA, NOVEMBER 2, 2004 - Sun Hydraulics Corporation (NASDAQ: SNHY) reported financial results for the third quarter 2004 as follows:

(Dollars in millions except net income per share)

&lt;TABLE&gt;

&lt;CAPTION&gt;

	September 25, 2004	September 27, 2003	Increase
<S>	<C>	<C>	<C>
Three Months Ended			
Net Sales	\$ 23.2	\$ 17.9	30%
Net Income	\$ 1.9	\$ 0.5	280%
Net Income per share:			
Basic	\$ 0.27	\$ 0.08	238%
Fully Diluted	\$ 0.27	\$ 0.08	238%

Nine Months Ended			
Net Sales	\$ 71.1	\$ 53.2	34%
Net Income	\$ 5.8	\$ 1.6	263%
Net Income per share:			
Basic	\$ 0.86	\$ 0.24	258%
Fully Diluted	\$ 0.85	\$ 0.24	254%

&lt;/TABLE&gt;

Sales increases by business segment were as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	3rd Quarter	Year-to-date
<S>	<C>	<C>
United States	31%	37%
United Kingdom	19%	15%
Germany	46%	42%
Korea	17%	30%

&lt;/TABLE&gt;

Sun Hydraulics President, Allen Carlson, commented, "Sales increased 30% during the quarter compared to last year. Our flexible production capability and our responsive supplier base continue to provide excellent delivery performance to our customers.

Sales volume and productivity increases this quarter helped to offset increased material costs."

Gross profit for the third quarter increased 56% compared to the same quarter last year. Gross profit as a percentage of net sales increased to 30% from 25% last year.

"While we are now sharing in the raw material cost increases experienced by our suppliers, our production unit costs are unchanged," Carlson said. "We recently announced a modest price increase on selected products effective the beginning of next year. This will combat the rise in material costs as we continue to invest time and money to further improve our production processes".

## OUTLOOK

Third quarter orders increased 33% compared to last year, and October orders

came in at an even higher rate.

Fourth quarter shipments are estimated to be \$22.0 million, which would be a 25% increase over the same quarter last year. The majority of this increase is projected to be in the U.S. operation as the rate of growth internationally is projected to slow.

Net income per share on sales of \$22.0 million should yield approximately \$0.15, which would bring net income per share for the year to \$1.00.

#### WEBCAST

Sun Hydraulics Corporation will broadcast its third quarter financial results conference call live over the Internet at 2:30 P.M. E.T. tomorrow, November 3, 2004. The conference call will be in conjunction with an Investor Open House to be held at the Company's facility at 701 Tallevast Road, Sarasota, Florida, from 2-5 P.M. To listen, go to <http://investor.sunhydraulics.com/medialist.cfm>. A copy of this earnings release is posted on the Investor Relations page of our website under "Press Releases."

#### WEBCAST Q&A

Questions may be submitted to the Company via email after reviewing this earnings release. Sun management will then answer these and other questions during the Company's webcast. If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-800-361-0912.

Questions can be submitted by going to the Sun Hydraulics website, [www.sunhydraulics.com](http://www.sunhydraulics.com), and clicking on Investor Relations on the left hand menu. Scroll down to the bottom of the page and click on contact email: [investor@sunhydraulics.com](mailto:investor@sunhydraulics.com), which will open an email window to type in your message. Sun Hydraulics will answer as many legitimate questions pertaining to the third quarter earnings release as possible during the webcast time.

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Sun Hydraulics Corporation is a leading designer and manufacturer of high performance screw-in hydraulic cartridge valves and manifolds for worldwide industrial and mobile markets. For more information about Sun, please visit our website at [www.sunhydraulics.com](http://www.sunhydraulics.com).

#### FORWARD-LOOKING INFORMATION

Certain oral statements made by management from time to time and certain statements contained herein that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and, because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements, including those in Management's Discussion and Analysis of Financial Condition and Results of Operations are statements regarding the intent, belief or current expectations, estimates or projections of the Company, its Directors or its Officers about the Company and the industry in which it operates, and assumptions made by management, and include among other items, (i) the Company's strategies regarding growth, including its intention to develop new products; (ii) the Company's financing plans; (iii) trends affecting the Company's financial condition or results of operations; (iv) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (v) the declaration and payment of dividends; and (vi) the Company's ability to respond to changes in customer demand domestically and internationally, including as a result of standardization. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that the anticipated results will occur.

Important factors that could cause the actual results to differ materially from those in the forward-looking statements include, among other items, (i) the economic cyclicality of the capital goods industry in general and the hydraulic valve and manifold industry in particular, which directly affect customer orders, lead times and sales volume; (ii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iii) changes in the competitive marketplace that could affect the Company's revenue and/or cost bases, such as increased competition, lack of qualified engineering,

marketing, management or other personnel, and increased labor and raw materials costs; (iv) changes in technology or customer requirements, such as standardization of the cavity into which screw-in cartridge valves must fit, which could render the Company's products or technologies noncompetitive or obsolete; (v) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (vi) changes relating to the Company's international sales, including changes in regulatory requirements or tariffs, trade or currency restrictions, fluctuations in exchange rates, and tax and collection issues. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended June 26, 2004, and under the heading "Business" and particularly under the subheading, "Business Risk Factors" in the Company's Form 10-K for the year ended

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December 27, 2003. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

SUN HYDRAULICS CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>

<CAPTION>

SEPTEMBER 25, 2004 DECEMBER 27, 2003  
(UNAUDITED)

<S>

<C>

<C>

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,199	\$ 4,794
Restricted cash	433	425
Accounts receivable, net of allowance for doubtful accounts of \$193 and \$187	8,420	6,215
Inventories	6,794	6,621
Other current assets	580	524
	-----	-----
Total current assets	23,426	18,579

Property, plant and equipment, net	42,539	42,829
Other assets	1,593	1,624
	-----	-----

TOTAL ASSETS	\$ 67,558	\$ 63,032
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 2,214	\$ 2,440
Accrued expenses and other liabilities	3,750	2,217
Long-term debt due within one year	991	937
Dividends payable	345	270
Taxes payable	2,101	51
	-----	-----
Total current liabilities	9,401	5,915

Long-term debt due after one year	11,379	17,270
Deferred income taxes	4,363	4,456
Other noncurrent liabilities	305	328
	-----	-----
Total liabilities	25,448	27,969

Shareholders' equity:

Preferred stock, 2,000,000 shares authorized, par value \$0.001 no shares outstanding	--	--
Common stock, 20,000,000 shares authorized, par value \$0.001 6,906,214 shares outstanding, September 25, 2004 6,757,941 shares outstanding, December 27, 2003	7	7
Capital in excess of par value	27,796	26,478
Unearned compensation related to outstanding restricted stock	(415)	(601)

Retained earnings	12,391	7,522	
Accumulated other comprehensive income		2,331	1,657
	-----	-----	
Total shareholders' equity	42,110	35,063	
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 =====	 =====	 \$ 67,558      \$ 63,032

</TABLE>

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SUN HYDRAULICS CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED	
	SEPTEMBER 25, 2004	SEPTEMBER 27, 2003
	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>
NET SALES	\$ 23,164	\$ 17,851
Cost of sales	16,117	13,328
	-----	-----
GROSS PROFIT	7,047	4,523
Selling, engineering and administrative expenses	4,002	3,604
	-----	-----
OPERATING INCOME	3,045	919
Interest expense	123	137
Foreign currency transaction (gain)/loss	(43)	(1)
Miscellaneous (income)/expense, net	(7)	(1)
	-----	-----
INCOME BEFORE INCOME TAXES	2,972	784
Income tax provision	1,092	275
	-----	-----
NET INCOME	\$ 1,880	\$ 509
	=====	=====
 BASIC NET INCOME PER COMMON SHARE	 \$ 0.27	 \$ 0.08
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING	6,895	6,591
DILUTED NET INCOME PER COMMON SHARE	\$ 0.27	\$ 0.08
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,972	6,635
DIVIDENDS DECLARED PER SHARE	\$ 0.05	\$ 0.04

</TABLE>

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SUN HYDRAULICS CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	NINE MONTHS ENDED	
	SEPTEMBER 25, 2004	SEPTEMBER 27, 2003
	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>
NET SALES	\$ 71,077	\$ 53,188



Cost of sales	49,338	39,059
	-----	-----
GROSS PROFIT	21,739	14,129
Selling, engineering and administrative expenses	12,262	11,491
	-----	-----
OPERATING INCOME	9,477	2,638
Interest expense	405	415
Foreign currency transaction (gain)/loss	(75)	(190)
Miscellaneous (income)/expense, net	(25)	(24)
	-----	-----
INCOME BEFORE INCOME TAXES	9,172	2,437
Income tax provision	3,343	857
	-----	-----
NET INCOME	\$ 5,829	\$ 1,580
	=====	=====
BASIC NET INCOME PER COMMON SHARE	\$ 0.86	\$ 0.24
WEIGHTED AVERAGE BASIC SHARES OUTSTANDING	6,811	6,491
DILUTED NET INCOME PER COMMON SHARE	\$ 0.85	\$ 0.24
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,869	6,535
DIVIDENDS DECLARED PER SHARE	\$ 0.14	\$ 0.12

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SUN HYDRAULICS CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

<TABLE>

<CAPTION>

	NINE MONTHS ENDED	
	SEPTEMBER 25, 2004	SEPTEMBER 27, 2003
	(UNAUDITED)	(UNAUDITED)
	<C>	<C>
<S>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,829	\$ 1,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,073	3,907
Loss on disposal of assets	43	367
Deferred income taxes	(93)	(1)
Allowance for doubtful accounts	6	35
Amortization of compensation expense	186	116
(Increase) decrease in:		
Accounts receivable	(2,211)	(2,219)
Inventories	(173)	34
Taxes receivable	--	--
Other current assets	(56)	612
Other assets	31	(516)
Increase (decrease) in:		
Accounts payable	(226)	474
Accrued expenses and other liabilities	1,533	1,941
Dividends payable	75	11
Taxes payable	2,050	684
Other liabilities	(23)	(38)
	-----	-----
Net cash provided by operating activities	11,044	6,987
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,531)	(3,090)

Proceeds from dispositions of equipment	19	11
-----	-----	
Net cash used in investing activities	(3,512)	(3,079)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	--	18,850
Repayment of debt	(5,837)	(8,411)
Proceeds from stock issuance	1,319	956
Dividends to shareholders	(960)	(14,133)
-----	-----	
Net cash used in financing activities	(5,478)	(2,738)
Effect of exchange rate changes on cash and cash equivalents	359	(58)
Net increase in cash and cash equivalents	2,413	1,112
-----	-----	
Cash and cash equivalents, beginning of period	5,219	3,958
-----	-----	
Cash and cash equivalents, end of period	\$ 7,632	\$ 5,070
=====	=====	

Supplemental disclosure of cash flow information:

Cash paid/(received):

Interest	\$ 405	\$ 415
Income taxes	\$ 1,386	\$ 174

</TABLE>

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<TABLE>

<CAPTION>

	UNITED STATES	KOREA	UNITED GERMANY	KINGDOM	ELIMINATION	CONSOLIDATED
<S>	<C>	<C>	<C>	<C>	<C>	
THREE MONTHS						
ENDED SEPTEMBER 25, 2004						
Sales to unaffiliated customers	\$ 14,676	\$ 1,900	\$ 3,390	\$ 3,198	\$ --	\$ 23,164
Intercompany sales	4,112	--	19	465	(4,596)	--
Operating income/(loss)	1,921	201	791	135	(3)	3,045
Depreciation	960	34	132	259	--	1,385
Capital expenditures	883	32	38	99	--	1,052
THREE MONTHS						
ENDED SEPTEMBER 27, 2003						
Sales to unaffiliated customers	\$ 11,208	\$ 1,630	\$ 2,316	\$ 2,697	\$ --	\$ 17,851
Intercompany sales	2,918	--	9	323	(3,250)	--
Operating income/(loss)	508	187	432	(190)	(18)	919
Depreciation	900	32	94	235	--	1,261
Capital expenditures	757	386	111	466	--	1,720
NINE MONTHS						
ENDED SEPTEMBER 25, 2004						
Sales to unaffiliated customers	\$ 44,566	\$ 6,744	\$ 9,860	\$ 9,907	\$ --	\$ 71,077
Intercompany sales	12,029	--	52	1,301	(13,382)	--
Operating income/(loss)	6,361	776	2,013	338	(11)	9,477
Depreciation	2,834	102	341	795	--	4,072
Capital expenditures	2,922	40	105	465	--	3,532
NINE MONTHS						
ENDED SEPTEMBER 27, 2003						
Sales to unaffiliated customers	\$ 32,473	\$ 5,175	\$ 6,951	\$ 8,589	\$ --	\$ 53,188
Intercompany sales	9,794	--	33	1,032	(10,859)	--
Operating income/(loss)	1,806	541	925	(655)	21	2,638
Depreciation	2,752	89	285	781	--	3,907
Capital expenditures	1,688	418	203	781	--	3,090

</TABLE>

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