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Friday, April 30, 2004

Slower military spending costs Cray in first quarter

SEATTLE POST-INTELLIGENCER STAFF AND NEWS SERVICES

Cray Inc., whose supercomputers simulate nuclear explosions and help create weather forecasts, posted an unexpected first-quarter loss as sales fell. Shares slid 9.4 percent yesterday to close at \$6.40 on the Nasdaq exchange.

The net loss was \$3.84 million, or 5 cents a share, compared with net income of \$1.2 million, or 2 cents, a year earlier. Sales dropped 4.5 percent to \$42.1 million from \$44.1 million, the company said in a statement.

Cray said it shipped fewer X1 systems, which are used to predict battlefield weather by the Defense Department, than the company expected. Military spending slowed in the quarter, and sales may miss forecasts for this year, Seattle-based Cray said.

Analysts had expected the company to earn 2 cents a share on sales of \$54.3 million in the quarter, the average of eight estimates in a Thomson Financial survey.

In other earnings news, **Coinstar Inc.**'s first-quarter income soared 17 percent.

The Bellevue-based coin-sorting company reported income of \$4.6 million, or 21 cents per share, for the three-month period that ended March 31, compared with income of \$3.9 million, or 18 cents per share, for the same quarter a year earlier.

Revenue jumped 13 percent to \$43.1 million.

Coinstar said earnings were positively affected by \$600,000 because it moved some marketing expenses from the first quarter to the second quarter.

Computer and electronics retailer **Zones Inc.** earned \$791,000, or 5 cents a share, in the first quarter, compared with a loss of \$646,000 or 5 cents a share a year ago. The Auburn-based company said revenue rose 16 percent to \$114.1 million.

Everett-based **Unova Inc.** reported a first-quarter profit of \$10.5 million, or 17 cents a share, compared with a loss in the year-ago quarter of \$14.9 million or 25 cents a share. Revenue rose 13 percent to \$297.7 million. Unova said its results were boosted by settlement of an intellectual property dispute and sales growth at its Intermec subsidiary.

Jones Soda Co. posted a first-quarter profit as revenue increased 50 percent.

The Seattle beverage company reported income of \$287,057, or 1 cent per share,

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3 Seattle companies post quarterly losses

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for the quarter that ended March 31, compared with a loss of \$72,082, or break even per share, for the same three-month period a year earlier.

Revenue grew to \$5.8 million helped by distribution agreements with retailer such as Starbucks, Barnes and Noble and Panera Bread.

Timberland Bancorp of Hoquiam earned \$1.4 million, or 36 cents a share, down from \$1.8 million or 45 cents a share a year ago.

OUR AFFILIATES



Cowlitz Bancorporation of Longview reported first-quarter net income of \$397,000, or 10 cents a share, down from \$643,000 or 16 cents a share a year ago. The company said first-quarter activities included the closing of its Bay Mortgage offices in Seattle and Bellevue; Cowlitz said it plans to increase its commercial banking activities through Bay and Cowlitz banks.

Heritage Financial Corp. of Olympia earned \$2.2 million, or 35 cents a share, in the first quarter, up from \$2.1 million or 30 cents a share a year ago. Heritage also said it plans to convert one of its subsidiaries, Heritage Bank, from a state savings bank to a state commercial bank charter.

Washington Banking Co. of Oak Harbor earned \$1.1 million, or 20 cents a share, in the first quarter, down from \$1.2 million or 23 cents a share a year ago.

Nextel Partners Inc., a Kirkland-based provider of cellular service to rural areas, reported its first-ever quarter of positive net income: a profit of \$4.7 million, or 2 cents per share. Chairman, Chief Executive and President John Chapple said the milestone was reached one quarter earlier than planned. Service revenue during the period grew 43 percent over the prior year's first quarter, to \$287.3 million.

Average revenue per customer rose \$2 compared with the same quarter last year, to \$67, while the number of subscribers at the quarter's end hit 1.3 million, up 37 percent from the year-ago period. The company reiterated its full-year 2004 guidance for key financial measures, saying it expects 25 percent growth in service revenue, to more than \$1.2 billion.

Bellevue's **Captaris Inc.**, which facilitates intracompany information exchange, posted a net loss of \$20,000, or break-even per share, compared with a net loss of \$978,000, or a net loss of 3 cents per share, in the same quarter last year. Total revenue was \$18.2 million, compared with \$13.4 million in first-quarter 2003.

For the full year, the company confirmed its guidance of expected revenue totaling \$78 million to \$80 million and net earnings of between 11 cents and 13 cents per share. David Anastasi, president and chief executive, said the company is "off to a good start for the year."

Greatly widened losses were reported by **Targeted Genetics Corp.** of Seattle, which said it incurred a net loss of \$4.9 million, or 7 cents per share, compared with a net loss of \$830,000, or a net loss of 2 cents per share, in the same quarter last year. And revenue declined to \$1.3 million, compared with \$5.6 million in first-quarter 2003.

Yet President and Chief Executive H. Stewart Parker called it "another successful quarter," citing "significant progress in each of (the company's) three product-development programs": products to combat cystic fibrosis, rheumatoid arthritis and AIDS. During the quarter, the company also completed \$25.5 million in financing.

Bothell's **SonoSite Inc.**, a maker of ultrasound devices, posted revenue of \$23.5

million, up 37 percent compared with \$17.2 million in first- quarter 2003. The company reported a first-quarter net loss of \$1.4 million, or a net loss of 10 cents per share, compared with a net loss of \$2.6 million, or a net loss of 18 cents per share, in the year-ago quarter. The company raised its projections for the full year, saying it now expects revenue growth of about 30 percent and operating-expense growth rate of about 20 percent over 2003 levels. It said it expects to approach break-even in the current quarter.

Spokane-based **KeyTronic Corp.**, which makes keyboards and computer mice and does custom manufacturing, reported revenue of \$37.3 million for its third fiscal quarter ended April 3, up 22 percent from \$30.6 million in third-quarter 2003. Net income for the period was \$112,000 or 1 cent per share, compared with net income of \$306,000 or 3 cents per share, in the year-ago quarter. President and CEO Jack Oehlke said growth was driven mainly by increased production on new programs involving consumer products and specialty printer accessories

Redmond-based **Concur Technologies Inc.** reported net income of \$200,000 for the quarter ended March 31, improving from a net loss of \$400,000 during the same quarter last year. The company, which makes travel and entertainment expense management software, said the result was at the high end of its expected range.

Concur's revenues for the recent quarter were \$13.2 million, down from \$13.8 million in the same quarter a year ago.

The company is shifting from a license-based business model to one oriented around subscriptions for its services. Steve Singh, chairman and chief executive, said subscriptions accounted for 73 percent of total revenue in the recent quarter.

Seattle-based **Primus Knowledge Solutions Inc.** reported a net loss of \$3 million for the quarter ended March 31, after \$461,000 in acquisition-related restructuring costs. That compared with a net loss of \$1.1 million for the same quarter last year.

The management software maker said quarterly revenue was \$6.1 million, an increase of 11 percent from \$5.5 million in revenue last year.

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Seattle Post-Intelligencer

101 Elliott Ave. W.
Seattle, WA 98119
(206) 448-8000

Home Delivery: (206) 464-2121 or (800) 542-0820

Send comments to newmedia@seattlepi.com

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