

**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): March 12, 2012

SUN HYDRAULICS CORPORATION

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
of incorporation)

0-21835

(Commission
File Number)

59-2754337

(IRS Employer
Identification No.)

1500 West University Parkway, Sarasota, Florida

(Address of principal executive offices)

34243

(Zip Code)

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

(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))

Item 2.02 Results of Operations and Financial Condition.

On March 12, 2012, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing its financial results for the fourth fiscal quarter of 2011 and the 2011 fiscal year.

Item 8.01 Other Events.

On March 12, 2012, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing the declaration of a special cash dividend to shareholders of \$0.12 per share to be paid on March 31, 2012, to all shareholders of record on March 22, 2012.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated March 12, 2012.

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/ Tricia L. Fulton

Tricia L. Fulton
Chief Financial Officer (Principal
Financial and Accounting Officer)

Dated: March 12, 2012

**Sun Hydraulics Reports 2011 Sales of \$204 Million with Earnings of \$1.47 per share;
Announces Shared Distribution Based on 2011 Performance**

SARASOTA, FLA, March 12, 2012 – Sun Hydraulics Corporation (NASDAQ: SNHY) today reported financial results for the fourth quarter and year-end 2011 as follows:

(Dollars in millions except net income per share)

| | December 31, 2011 | January 1, 2011 | Increase/Decrease |
|----------------------------|----------------------|--------------------|-------------------|
| Twelve Months Ended | | | |
| Net Sales | \$ 204.2 | \$ 150.7 | 36% |
| Net Income | \$ 37.7 | \$ 21.4 | 76% |
| Net Income per share: | | | |
| Basic | \$ 1.47 | \$ 0.84 | 75% |
| Diluted | \$ 1.47 | \$ 0.84 | 75% |
| Three Months Ended | | | |
| Net Sales | \$ 45.7 | \$ 41.8 | 9% |
| Net Income | \$ 6.1 | \$ 6.3 | -3% |
| Net Income per share: | | | |
| Basic | \$ 0.24 | \$ 0.25 | -4% |
| Diluted | \$ 0.24 | \$ 0.25 | -4% |

Note: The Company announced a three-for-two stock split, effected in the form of a 50% stock dividend, to shareholders of record on June 30, 2011, payable on July 15, 2011. All earnings per share and weighted average share information reflect the 50% stock dividend.

“Sun grew its top line by 36% in 2011, and the bottom line by 76%,” reported Allen Carlson, Sun Hydraulics CEO and president. “Sales grew in all geographic markets with sales to North America increasing 40%, Europe 33%, and Asia/Pacific 30%.”

“In addition to our strong operational results in 2011, we engaged in a number of activities that position us well to take advantage of future growth opportunities,” added Carlson. “We opened a sales office in China, which helped us to increase sales by 49% in this region. Despite an end of year slow down in the region, we expect China to regain its growth trajectory in the long term. We added capability and capacity in 2011, notably in the design and manufacturing engineering area. These additions will help us develop the products and processes that will contribute to our growth. In September 2011, we acquired the remaining interest in High Country Tek (HCT). HCT products and capabilities integrate nicely with our line of electrically-actuated hydraulic valves, creating new opportunities in the marketplace.”

Commenting on the recent shared distribution, Carlson, said, “At the foundation of Sun’s success are its employees. Their creativity and dedication to quality and service make Sun the place it is today. In 2008, the Board initiated the concept of a shared distribution as a way to reward our employees and shareholders when Sun has a successful year. The shared distribution is at the discretion of the Board and may be considered annually. The Board voted unanimously to grant this year’s distribution totaling \$7.7 million, with 60% provided to employees and 40% to shareholders.”

The 2011 shared distribution consists of a contribution for employees equal to 13.5% of wages, most of which will be paid into retirement plans via Sun Hydraulics stock, and a \$0.12 per share cash dividend to shareholders. The shared distribution cash dividend is payable on March 31, 2012, to shareholders of record on March 22, 2012.

Concluding, Carlson said, "First quarter demand has rebounded and is forecast to be 5% above last year's level. Orders are strong in all major geographic regions. Coupled with positive PMI numbers, we expect growth in 2012. We are ready for increasing demand and expect to continue to deliver strong operating results."

Outlook

First quarter 2012 revenues are expected to be approximately \$53 million, up approximately 5% from the first quarter of 2011. Earnings per share are estimated to be \$0.37 to \$0.39 compared to \$0.38 in the same period a year ago.

Webcast

Sun Hydraulics Corporation will broadcast its 2011 financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, March 13, 2012. To listen to the webcast, go to the Investor Relations section of www.sunhydraulics.com.

Webcast Q&A

If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-888-221-9554 and using 1414483 as the access code. Questions also may be submitted to the Company via email by going to the Sun Hydraulics website, www.sunhydraulics.com, and clicking on Investor Relations on the top menu. Scroll down to the bottom of the page and click on contact email: investor@sunhydraulics.com, which will open an email window to type in your message. Sun management will then answer these and other questions during the Company's webcast. A copy of this earnings release is posted on the Investor Relations page of our website under "Press Releases."

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.

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 October 1, 2011, and under the heading "Business" and particularly under the subheading, "Business Risk Factors" in the Company's Form 10-K for the year ended December 31, 2011. 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 STATEMENTS OF OPERATIONS
(in thousands except per share data)

| | Three Months Ended | |
|--|----------------------|--------------------|
| | December 31, 2011 | January 1, 2011 |
| Net sales | \$ 45,657 | \$ 41,772 |
| Cost of sales | <u>28,809</u> | <u>27,083</u> |
| Gross profit | 16,848 | 14,689 |
| Selling, engineering and administrative expenses | <u>6,376</u> | <u>5,935</u> |
| Operating income | 10,472 | 8,754 |
| Interest income, net | (186) | (170) |
| Foreign currency transaction (gain) loss, net | (124) | 59 |
| Miscellaneous expense, net | <u>168</u> | <u>103</u> |
| Income before income taxes | 10,614 | 8,762 |
| Income tax provision | <u>4,540</u> | <u>2,495</u> |
| Net income | \$ 6,074 | \$ 6,267 |
| Basic net income per common share (1) | \$ 0.24 | \$ 0.25 |
| Weighted average basic shares outstanding (1) | 25,729 | 25,504 |
| Diluted net income per common share (1) | \$ 0.24 | \$ 0.25 |
| Weighted average diluted shares outstanding (1) | 25,778 | 25,555 |
| Dividends declared per share (1) | \$ 0.090 | \$ 0.393 |

(1) The Company announced a three-for-two stock split, effected in the form of a 50% stock dividend, to shareholders of record on June 30, 2011, payable on July 15, 2011. All per share and weighted average share information reflect the 50% stock dividend.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)

| | Twelve Months Ended | |
|--|----------------------|--------------------|
| | December 31, 2011 | January 1, 2011 |
| Net sales | \$ 204,171 | \$150,695 |
| Cost of sales | <u>124,956</u> | <u>98,352</u> |
| Gross profit | 79,215 | 52,343 |
| Selling, engineering and administrative expenses | <u>23,946</u> | <u>21,304</u> |
| Operating income | 55,269 | 31,039 |
| Interest income, net | (775) | (653) |
| Foreign currency transaction (gain) loss, net | (161) | 106 |
| Miscellaneous income, net | <u>(1,381)</u> | <u>(57)</u> |
| Income before income taxes | 57,586 | 31,643 |
| Income tax provision | <u>19,909</u> | <u>10,243</u> |
| Net income | \$ 37,677 | \$ 21,400 |
| Basic net income per common share (1) | \$ 1.47 | \$ 0.84 |
| Weighted average basic shares outstanding (1) | 25,642 | 25,428 |
| Diluted net income per common share (1) | \$ 1.47 | \$ 0.84 |
| Weighted average diluted shares outstanding (1) | 25,684 | 25,478 |
| Dividends declared per share (1) | \$ 0.403 | \$ 0.573 |

(1) The Company announced a three-for-two stock split, effected in the form of a 50% stock dividend, to shareholders of record on June 30, 2011, payable on July 15, 2011. All per share and weighted average share information reflect the 50% stock dividend.

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | December 31, 2011 | January 1, 2011 |
|--|----------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 51,262 | \$ 33,206 |
| Restricted cash | 46 | 131 |
| Accounts receivable, net of allowance for doubtful accounts of \$83 and \$82 | 16,227 | 16,399 |
| Inventories | 12,829 | 10,773 |
| Income taxes receivable | 120 | 1,154 |
| Deferred income taxes | 260 | 446 |
| Marketable securities | 21,832 | 11,614 |
| Other current assets | 1,354 | 2,556 |
| Total current assets | 103,930 | 76,279 |
| Property, plant and equipment, net | 56,959 | 53,127 |
| Other assets | 6,639 | 2,628 |
| Total assets | \$ 167,528 | \$132,034 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,402 | \$ 3,348 |
| Accrued expenses and other liabilities | 7,466 | 5,250 |
| Dividends payable | 2,318 | 1,531 |
| Total current liabilities | 14,186 | 10,129 |
| Deferred income taxes | 6,917 | 5,684 |
| Other liabilities | 1,149 | 1,197 |
| Total liabilities | 22,252 | 17,010 |
| Shareholders' equity: | | |
| Common stock | 26 | 26 |
| Capital in excess of par value | 48,944 | 44,001 |
| Retained earnings | 98,426 | 71,132 |
| Accumulated other comprehensive income (loss) | (2,120) | (135) |
| Total shareholders' equity | 145,276 | 115,024 |
| Total liabilities and shareholders' equity | \$ 167,528 | \$132,034 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Twelve Months Ended | |
|---|----------------------|--------------------|
| | December 31, 2011 | January 1, 2011 |
| Cash flows from operating activities: | | |
| Net income | \$ 37,677 | \$ 21,400 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,721 | 6,873 |
| (Gain) loss on disposal of assets | (32) | (43) |
| Gain on Investment in HCT | (1,244) | |
| Stock-based compensation expense | 1,752 | 1,149 |
| Deferred director and phantom stock unit expense (income) | (22) | 557 |
| Stock compensation income tax benefit | (144) | (175) |
| Allowance for doubtful accounts | 1 | (8) |
| Provision for slow moving inventory | (19) | (159) |
| Provision for deferred income taxes | 1,419 | 622 |
| (Increase) decrease in: | | |
| Accounts receivable | 741 | (6,442) |
| Inventories | (1,593) | (2,815) |
| Income taxes receivable | 1,178 | 506 |
| Other current assets | (662) | (759) |
| Other assets, net | (1,081) | 750 |
| Increase (decrease) in: | | |
| Accounts payable | 499 | 861 |
| Accrued expenses and other liabilities | 4,390 | 2,775 |
| Other noncurrent liabilities | (37) | (2) |
| Net cash from operating activities | 49,544 | 25,090 |
| Cash flows used in investing activities: | | |
| Sale of China Joint Venture | 1,451 | — |
| Investment in HCT | (1,776) | — |
| Capital expenditures | (10,143) | (3,856) |
| Proceeds from dispositions of equipment | 35 | 175 |
| Purchases of marketable securities | (18,405) | (14,175) |
| Proceeds from sale of marketable securities | 7,517 | 10,230 |
| Net cash used in investing activities | (21,321) | (7,626) |
| Cash flows used in financing activities: | | |
| Repayment of debt | (100) | — |
| Proceeds from exercise of stock options | 61 | 44 |
| Stock compensation income tax benefit | 144 | 175 |
| Proceeds from stock issued | 574 | 423 |
| Dividends to shareholders | (9,596) | (14,635) |
| Net cash used in financing activities | (8,917) | (13,993) |
| Effect of exchange rate changes on cash and cash equivalents | (1,335) | (580) |
| Net decrease in restricted cash | (85) | (1) |
| Net increase in cash and cash equivalents | 18,056 | 2,892 |
| Cash and cash equivalents and restricted cash, beginning of period | 33,337 | 30,446 |
| Cash and cash equivalents and restricted cash, end of period | \$ 51,308 | \$ 33,337 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid: | | |
| Income taxes | \$ 17,456 | \$ 9,290 |
| Supplemental disclosure of noncash transactions: | | |
| Common stock issued to ESOP through accrued expenses and other liabilities | \$ 2,412 | \$ — |
| Unrealized gain (loss) on available for sale securities | \$ (549) | \$ (59) |

| | United States | Korea | Germany | United Kingdom | Elimination | Consolidated |
|---------------------------------|---------------|----------|----------|----------------|-------------|--------------|
| Three Months | | | | | | |
| Ended December 31, 2011 | | | | | | |
| Sales to unaffiliated customers | \$ 31,199 | \$ 3,788 | \$ 5,677 | \$ 4,993 | \$ — | \$ 45,657 |
| Intercompany sales | 6,989 | — | 26 | 348 | (7,363) | — |
| Operating income | 8,366 | 317 | 1,025 | 788 | (24) | 10,472 |
| Depreciation and amortization | 1,240 | 31 | 85 | 220 | — | 1,576 |
| Capital expenditures | 3,009 | 40 | 7 | 309 | — | 3,365 |
| Three Months | | | | | | |
| Ended January 1, 2011 | | | | | | |
| Sales to unaffiliated customers | \$ 26,170 | \$ 4,134 | \$ 5,000 | \$ 6,468 | \$ — | \$ 41,772 |
| Intercompany sales | 7,267 | — | 42 | 289 | (7,598) | — |
| Operating income | 6,528 | 592 | 935 | 700 | (1) | 8,754 |
| Depreciation and amortization | 1,361 | 23 | 109 | 241 | — | 1,734 |
| Capital expenditures | 1,688 | 76 | 6 | 26 | — | 1,796 |
| Twelve Months | | | | | | |
| Ended December 31, 2011 | | | | | | |
| Sales to unaffiliated customers | \$131,714 | \$20,566 | \$27,997 | \$23,894 | \$ — | \$ 204,171 |
| Intercompany sales | 33,711 | — | 201 | 1,536 | (35,448) | — |
| Operating income | 41,847 | 2,492 | 6,715 | 4,167 | 48 | 55,269 |
| Depreciation and amortization | 5,308 | 114 | 357 | 942 | — | 6,721 |
| Capital expenditures | 9,324 | 274 | 63 | 482 | — | 10,143 |
| Twelve Months | | | | | | |
| Ended January 1, 2011 | | | | | | |
| Sales to unaffiliated customers | \$ 94,067 | \$16,284 | \$19,770 | \$20,574 | \$ — | \$ 150,695 |
| Intercompany sales | 26,022 | — | 160 | 1,225 | (27,407) | — |
| Operating income (loss) | 22,040 | 2,246 | 4,024 | 2,822 | (93) | 31,039 |
| Depreciation and amortization | 5,388 | 89 | 429 | 967 | — | 6,873 |
| Capital expenditures | 3,400 | 217 | 27 | 212 | — | 3,856 |