

DGT HOLDINGS CORP.

FORM 8-K

(Current report filing)

Filed 06/13/11 for the Period Ending 06/13/11

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|-------------|--|
| Address | 100 PINE AIRE DRIVE BAY SHORE, NY 11706 |
| Telephone | 631 231-6400 |
| CIK | 0000027748 |
| Symbol | DGTC |
| SIC Code | 3679 - Electronic Components, Not Elsewhere Classified |
| Industry | Medical Equipment & Supplies |
| Sector | Healthcare |
| Fiscal Year | 07/31 |

**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) **June 13, 2011**

DGT Holdings Corp.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction
of incorporation)

000-03319
(Commission File Number)

13-1784308
(IRS Employer Identification No.)

100 Pine Aire Drive, Bay Shore, New York
(Address of principal executive offices)

11706
(Zip Code)

Registrant's telephone number, including area code: **(631) 231-6400**

(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:

- 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.

On June 13, 2011, Del Global Technologies Corp., a New York corporation, (the "Company"), announced its results for the fiscal 2011 third quarter.

A copy of the press release is furnished as Exhibit 99.1 to this report.

The information furnished pursuant to this Current Report on Form 8-K, including the exhibit hereto, shall not be considered "filed" for

purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into future filings by the Company under the Securities Act of 1933, as amended, or under the Securities Act of 1934, as amended, unless the Company expressly sets forth in such future filing that such information is to be considered "filed" or incorporated by reference therein.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit No. Exhibits

99.1 Press Release dated June 13, 2011 (announcing fiscal 2011 third quarter results).

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 hereunto duly authorized.

DGT Holdings Corp.

(Registrant)

/s/ MARK A. ZORKO

Mark A. Zorko
Chief Financial Officer

June 13, 2011

(Date)

EXHIBIT INDEX

Exhibit No. Exhibits

99.1 Press Release dated June 13, 2011 (announcing fiscal 2011 third quarter results).

DGT Holdings Reports Fiscal 2011 Third Quarter Financial Results

Highlights

- FY 2011 third quarter sales declined 3.8% to \$12.7 million from \$13.2 million
- FY 2011 third quarter loss from continuing operations of \$0.4 million, or \$0.09 per share

BAY SHORE, N.Y., June 13, 2011 (GLOBE NEWSWIRE) -- **DGT Holdings Corp.** (OTCBB:DGTC) ("DGT Holdings" or "the Company") today announced financial results for its fiscal 2011 third quarter.

FINANCIAL RESULTS

Sales for the fiscal 2011 third quarter declined 3.8% to \$12.7 million from \$13.2 million in the third quarter of fiscal 2010. Sales at the Medical Systems Group were \$9.9 million, approximately the same as in the third quarter of the prior year. The Medical Systems Group consists solely of the Villa Sistemi Medicali S.p.A. ("Villa") subsidiary. Sales at the Power Conversion Group, which encompasses the operations of the Company's RFI Corporation subsidiary ("RFI"), for the third quarter of fiscal 2011 were \$2.7 million, \$0.5 million, or 16.7%, lower than the prior year's third quarter due to a decline in customer orders.

Gross margin for the fiscal 2011 third quarter was 20.8% as compared to 23.5% in the same period last year. The Medical Systems Group's third quarter 2011 gross margin of 18.2% was lower than the gross margin of 19.5% in the third quarter of fiscal 2010 due primarily to the mix of product shipped. The Power Conversion Group's gross margin for the third quarter of fiscal 2011 was 30.2%, versus 35.7% in the prior year's third quarter due to reduced sales volume.

Operating expenses in the fiscal 2011 third quarter were \$2.9 million, or 23.1% of total sales, compared to \$2.8 million, or 21.3% of total sales, in the prior year's third quarter.

Operating loss for the fiscal 2011 third quarter was \$0.3 million, as compared to \$0.3 million operating income in the third quarter of fiscal 2010. The Medical Systems Group incurred an operating loss of \$0.2 million in the fiscal 2011 third quarter compared to breakeven for the third quarter of fiscal 2010. The Power Conversion Group had operating income of \$0.1 million in the fiscal 2011 third quarter as compared to operating income of \$0.5 million in the comparable period last year. Unallocated corporate expenses for the third quarter of fiscal 2011 totaled \$0.3 million, as compared to \$0.2 million in the prior year.

Net loss in the third quarter of fiscal 2011, from continuing operations, was \$0.4 million, or \$0.09 per basic and diluted share, compared to operating income of \$0.3 million, or \$0.17 per diluted share in the prior year period.

The discontinued operations had no profit or loss during the third quarter of fiscal 2011.

Nine Month Results

Sales for the first nine months of fiscal 2011 increased 24.0% to \$53.0 million, from \$42.8 million, due to increased volume at the Medical Systems Group in the first half of the year, where sales of \$45.6 million reflect an increase of \$11.3 million, or 32.8%, from the prior year's first nine months. The Power Conversion Group's sales for the first nine months of fiscal 2011 of \$7.5 million were approximately \$1.0 million lower than the prior year's first nine month sales.

Gross margin decreased to 22.0% of sales for the first nine months of fiscal 2011 from 24.6% of sales in the first nine months of fiscal 2010. Gross margin at the Medical Systems Group during the first nine months of fiscal 2011 of 22.0% was approximately the same as in the prior year's first nine months. Gross margin at the Power Conversion Group decreased to 22.0% from 35.2% in the first nine months of fiscal 2010. The decrease in gross margin was attributable to an increase in inventory reserves of \$0.5 million during the second quarter and to higher employee costs, primarily for medical insurance expense.

Operating income for the first nine months of fiscal 2011 was \$2.7 million, compared to \$2.2 million in the comparable prior year period. Operating income at the Medical Systems Group was \$4.0 million, compared to operating income of \$1.9 million in the first nine months of fiscal 2010. The Power Conversion Group had an operating loss of \$0.5 million for the first nine months of fiscal 2011 primarily related to the increase in inventory reserves, compared to operating income of \$1.1 million in the comparable prior year period. Unallocated corporate expenses for the first nine months of fiscal 2011 totaled \$0.8 million, comparable to the results in the prior year period.

Discontinued operations had a net loss of \$3.1 million in the first nine months of fiscal 2010.

Net income for the first nine months of fiscal 2011 was \$1.1 million, or \$0.38 per basic and diluted share, compared to a net loss of \$2.0 million, or \$1.10 per basic and diluted share in the comparable prior year period. For the first nine months of fiscal 2011, there were 2.8 million

weighted average shares outstanding, compared to 1.8 million in the first nine months of fiscal 2010. The shares outstanding have been restated to reflect the reverse and forward stock splits effected in January 2011.

BACKLOG

Consolidated backlog at April 30, 2011 was \$13.3 million compared to \$11.9 million at July 31, 2010. Backlog at the Medical Systems Group at April 30, 2011 increased \$0.6 million from July 31, 2010. Backlog at the Power Conversion Group, increased \$0.7 million from the level at the beginning of the fiscal year. Substantially all of the backlog should result in shipments within the next 12 to 15 months.

FINANCIAL CONDITION

DGT Holdings' balance sheet at April 30, 2011 reflected working capital of \$37.6 million, which included \$22.8 million of cash and cash equivalents. Cash net of debt decreased \$5.4 million for the quarter, primarily as a result of a reduction in accounts payable and an increase in inventory at the Medical Systems Group. At the end of the fiscal 2011 third quarter, DGT Holdings had outstanding borrowings of \$0.1 million under its Italian revolving credit facilities. In the aggregate, the Company had \$12.3 million of borrowing availability under its Italian revolving credit facilities.

COMMENTS

John J. Quicke, DGT Holdings' President and Chief Executive Officer, commented, "Our third quarter results show a decline in sales and profitability over the prior fiscal year. We continue to be concerned about the strength of the worldwide economic recovery and the potential impact U.S. Dept. of Defense efforts to reduce spending may have on our business. However, we currently anticipate our fourth quarter sales and profitability to reflect an improvement over the third quarter. We are actively pursuing acquisitions in the U.S. market."

ABOUT DGT HOLDINGS

DGT Holdings Corp. is primarily engaged in the design, manufacture and marketing of high performance diagnostic imaging systems for medical and dental applications in its Medical Systems Group. Through its Milan, Italy based Villa Sistemi Medicali S.p.A. subsidiary, the Company offers a broad portfolio of general radiographic, radiographic/fluoroscopic, portable x-ray and digital radiographic systems to the global marketplace. Through its Power Conversion Group's RFI subsidiary, DGT Holdings manufactures proprietary high-voltage power conversion subsystems including electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and other commercial applications.

The Company's web site is www.dgtholdings.com.

The DGT Holdings Corp. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=8578>

Statements about future results made in this release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. DGT Holdings cautions that these statements are not guarantees of future performance. These statements involve a number of risks and uncertainties that are difficult to predict, including, but not limited to: the ability of DGT Holdings to introduce products as scheduled; obtaining necessary product certification; implementation of its business plan; retention of management; changing industry and competitive conditions; obtaining anticipated operating efficiencies; securing necessary capital facilities; favorable determinations in various legal matters; market and operating risks from foreign currency exchange exposures; and favorable general economic conditions. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the Company's filings with the Securities and Exchange Commission.

DGT HOLDINGS CORP.
STATEMENT OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|-------|--------------------|----------------|-------------------|----------------|
| | April 30, 2011 | May 1, 2010 | April 30, 2011 | May 1, 2010 |
| Sales | \$12,652 | \$13,150 | \$53,048 | \$42,790 |

| | | | | |
|--|------------------|---------------|----------------|-------------------|
| Cost of Sales | <u>10,025</u> | <u>10,059</u> | <u>41,362</u> | <u>32,278</u> |
| Gross Margin | <u>2,627</u> | <u>3,091</u> | <u>11,686</u> | <u>10,512</u> |
| Selling, General and Administrative | 2,410 | 2,202 | 7,397 | 6,777 |
| Research and Development | <u>518</u> | <u>592</u> | <u>1,601</u> | <u>1,567</u> |
| Total Operating Expenses | <u>2,928</u> | <u>2,794</u> | <u>8,998</u> | <u>8,344</u> |
| Operating Income | (301) | 297 | 2,688 | 2,168 |
| Interest Expense, net | (25) | (45) | (162) | (394) |
| Other Income (Expense) | <u>11</u> | <u>121</u> | <u>103</u> | <u>76</u> |
| Net Income Before Income Tax Provision | (315) | 297 | 2,629 | 1,850 |
| Income Tax Provision | <u>35</u> | <u>62</u> | <u>1,576</u> | <u>745</u> |
| Net Income from Continuing Operations | \$ (350) | \$311 | \$1,053 | \$1,105 |
| Income (Loss) from Discontinued Operations | <u>--</u> | <u>(15)</u> | <u>--</u> | <u>(3,110)</u> |
| Net Income (Loss) | <u>\$ (350)</u> | <u>\$296</u> | <u>\$1,053</u> | <u>\$ (2,005)</u> |
| Net Income (Loss) Per Basic and Diluted Share: | | | | |
| Continuing Operations | \$ (0.09) | \$0.17 | \$0.38 | \$0.61 |
| Discontinued Operations | <u>--</u> | <u>(0.01)</u> | <u>--</u> | <u>(1.71)</u> |
| Net Income (Loss) Per Basic and Diluted Share | <u>\$ (0.09)</u> | <u>\$0.16</u> | <u>\$0.38</u> | <u>\$ (1.10)</u> |
| Weighted Average Number of Common Shares Outstanding (in thousands): | | | | |
| Basic | <u>3,846</u> | <u>1,817</u> | <u>2,772</u> | <u>1,817</u> |
| Diluted | <u>3,846</u> | <u>1,819</u> | <u>2,773</u> | <u>1,817</u> |

DGT HOLDINGS CORP.
SELECTED BALANCE SHEET DATA

(In thousands)
(Unaudited)

April 30, July 31,

2011 2010

ASSETS

CURRENT ASSETS:

| | | |
|---|---------------|---------------|
| Cash and cash equivalents | \$22,767 | \$3,987 |
| Trade receivables, net | 15,722 | 12,925 |
| Inventories | 11,040 | 9,123 |
| Prepaid expenses and other current assets | <u>4,104</u> | <u>2,770</u> |
| Total current assets | <u>53,633</u> | <u>28,805</u> |

NON-CURRENT ASSETS:

| | | |
|-----------------------------------|-----------------|-----------------|
| Property plant and equipment, net | 5,293 | 5,254 |
| Deferred income taxes | 545 | 415 |
| Goodwill | 4,526 | 4,526 |
| Other assets | <u>121</u> | <u>29</u> |
| Total non-current assets | <u>10,485</u> | <u>10,224</u> |
| TOTAL ASSETS | <u>\$64,118</u> | <u>\$39,029</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|-----------------------------------|---------------|---------------|
| Revolving loan | \$109 | \$135 |
| Current portion of long-term debt | 1,397 | 1,973 |
| Accounts payable – trade | 7,162 | 5,643 |
| Accrued expenses | <u>7,317</u> | <u>3,643</u> |
| Total current liabilities | <u>15,985</u> | <u>11,394</u> |

NON-CURRENT LIABILITIES:

| | | |
|--------------------------------------|---------------|---------------|
| Long-term debt, less current portion | 2,379 | 95 |
| Other long-term liabilities | <u>1,919</u> | <u>1,763</u> |
| Total non-current liabilities | <u>4,298</u> | <u>1,858</u> |
| Total liabilities | <u>20,283</u> | <u>13,252</u> |

SHAREHOLDERS' EQUITY:

| | | |
|--|-----------------|-----------------|
| Total shareholders' equity | <u>43,835</u> | <u>25,777</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$64,118</u> | <u>\$39,029</u> |

CONTACT: DGT HOLDINGS CORP.

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