

# DGT HOLDINGS CORP.

## FORM 8-K (Current report filing)

Filed 12/06/11 for the Period Ending 12/05/11

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	07/28

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) **December 5, 2011**

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**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**

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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:

- 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 December 5, 2011 the Registrant issued a press release, a copy of which is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

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

**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.**

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(Registrant)

**/s/ MARK A. ZORKO**

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Mark A. Zorko  
*Chief Financial Officer*

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**December 5, 2011**

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(Date)

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**Exhibit Index**

99.1 Press release dated December 5, 2011

## DGT Holdings Reports Fiscal 2012 First Quarter Financial Results

### Highlights

- Villa Sistemi Medicali business sale completed on November 3rd
- FY 2012 first quarter sales increased 15.8% to \$2.6 million from \$2.2 million
- FY 2012 first quarter net income of \$0.2 million
- Current cash net of debt position of \$43.6 million or \$11.28/share

BAY SHORE, N.Y., Dec. 5, 2011 (GLOBE NEWSWIRE) -- **DGT Holdings Corp.** (OTCBB:DGTC) ("DGT Holdings" or the "Company") today announced financial results for its fiscal 2012 first quarter ended October 29, 2011.

### BUSINESS SALE

On August 3, 2011, the Board of Directors of the Company approved the sale of its Italian Subsidiary, Villa Sistemi Medicali S.p.A ("Villa"). On November 3, 2011, after the quarter end period, the Company completed the sale of Villa. As a result, it has been reflected as discontinued operations in the financial statements of the Company and prior periods have been restated. This business represented the entire Medical Systems Group.

### FINANCIAL RESULTS

Sales for the fiscal 2012 first quarter increased 15.8% to \$2.6 million from \$2.2 million in the first quarter of fiscal 2011, due to increased volume at the Power Conversion Group.

Gross margin for the fiscal 2012 first quarter was 34.1% as compared to 24.1% in the same period last year. The increase in margin is due to the additional volume and favorable product mix.

Operating expenses in the fiscal 2012 first quarter were \$1.3 million, or 50.6% of total sales, compared to \$1.2 million, or 51.5% of total sales, in the prior year's first quarter.

Operating loss for the fiscal 2012 first quarter was \$0.4 million compared to an operating loss of \$0.6 million in the first quarter of fiscal 2011. The Power Conversion Group had operating income of \$0.1 million in the fiscal 2012 first quarter, compared to an operating loss of \$0.2 million in the comparable period last year. Unallocated corporate expenses for the first quarter of fiscal 2012 totaled \$0.5 million, as compared to \$0.4 million in the first quarter of the prior year.

Loss from continuing operations in the first quarter of fiscal 2012 was \$0.4 million, or \$0.11 per share per basic and diluted share, compared to an operating loss of \$0.6 million, or \$0.35 per basic and diluted share in the prior year period.

Discontinued operations, related to the Villa sale, had net income of \$0.6 million during the first quarter of fiscal 2012, on sales of \$11.4 million, compared to net income of \$0.9 million in the first quarter of fiscal 2011, on sales of \$13.3 million.

Net income in the first quarter of fiscal 2012 was \$0.2 million, or \$0.05 per basic and diluted share, compared to net income of \$0.3 million, or \$0.15 per basic and diluted share in the comparable prior year period.

### BACKLOG

Consolidated backlog at October 29, 2011 was \$4.5 million compared to \$4.4 million at July 30, 2011. Substantially all of the backlog should result in shipments within the next 12 to 15 months.

### SUBSEQUENT EVENT

On November 3, 2011, the Company completed the sale of Villa for \$21.8 million and a dividend of cash held by Villa at the closing date of \$4.5 million. The Company retained the Villa facility and leases it to Villa for 335,000 euro/per year for an initial lease term of six years, with a six year renewal.

### FINANCIAL CONDITION

DGT Holdings' balance sheet at October 29, 2011 reflected working capital of \$37.5 million, which included \$23.0 million of cash and cash equivalents.

The Company's current cash balance, net of debt, but including the cash from the Villa sale as if the sale had taken place as of October 29, 2011, is \$43.6 million, or \$11.28 per share.

## COMMENTS

John J. Quicke, DGT Holdings' President and Chief Executive Officer, commented, "Our first quarter results reflect a modest increase in sales over the prior fiscal year, and an increase in gross margin due to favorable product mix. We continue to actively pursue acquisitions in the U.S. market. Our cash balances and potential credit lines position us to make substantial investments when compared to our historical operations. "

## ABOUT DGT HOLDINGS

DGT Holdings Corp. 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 through its Power Conversion Group's RFI subsidiary.

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

The Company's web site is [www.dgtholdings.com](http://www.dgtholdings.com).

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)**

	<u>Three Months Ended</u>	
	<u>October 29,</u>	<u>October 30,</u>
	<u>2011</u>	<u>2010</u>
Sales	\$ 2,602	\$ 2,247
Cost of Sales	<u>1,714</u>	<u>1,705</u>
Gross Margin	<u>888</u>	<u>542</u>
Selling, General and Administrative	1,267	1,116
Research and Development	<u>49</u>	<u>41</u>
Total Operating Expenses	<u>1,316</u>	<u>1,157</u>
Operating Loss	(428)	(615)
Interest Expense, net	(1)	(29)
Other Income (Expense)	<u>--</u>	<u>--</u>

Net Loss Before Income Tax Provision	(429)	(644)
Income Tax Provision	<u>    --</u>	<u>    1</u>
Net Loss from Continuing Operations	(429)	(645)
Income from Discontinued Operations, net of tax	<u>    629</u>	<u>    918</u>
Net Income	<u>    \$ 200</u>	<u>    \$ 273</u>

Net Income (Loss) Per Basic and Diluted Share:

Continuing Operations	\$ (0.11)	\$ (0.35)
Discontinued Operations	<u>    0.16</u>	<u>    0.50</u>
Net Income Per Basic and Diluted Share	<u>    \$ 0.05</u>	<u>    \$ 0.15</u>

Weighted Average Number of Common Shares Outstanding (in thousands)\*:

Basic	<u>    3,868</u>	<u>    1,817</u>
Diluted	<u>    3,868</u>	<u>    1,817</u>

\* Adjusted for 1 for 50 and 4 for 1 stock splits effective January 6, 2011

**DGT HOLDINGS CORP.**  
**SELECTED BALANCE SHEET DATA**  
(In thousands)  
(Unaudited)

October 29, 2011   July 30, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 23,009	\$ 23,629
Trade receivables, net	1,366	1,569
Inventories	1,794	1,708
Prepaid expenses and other current assets	198	223
Current assets of discontinued operations	<u>    26,370</u>	<u>    25,716</u>
Total current assets	<u>    52,737</u>	<u>    52,845</u>

NON-CURRENT ASSETS:

Property plant and equipment, net	4,381	4,651
Deferred income taxes	526	571
Other assets	89	95
Non-current assets of discontinued operations	<u>    5,074</u>	<u>    5,139</u>
Total non-current assets	<u>    10,070</u>	<u>    10,456</u>

TOTAL ASSETS

    \$ 62,807       \$ 63,301

## LIABILITIES AND STOCKHOLDERS' EQUITY

### CURRENT LIABILITIES:

Current portion of long-term debt	\$ 79	\$ 82
Accounts payable – trade	690	730
Accrued expenses	679	878
Current liabilities of discontinued operations	<u>13,776</u>	<u>13,008</u>
Total current liabilities	<u>15,224</u>	<u>14,698</u>

### NON-CURRENT LIABILITIES:

Long-term debt, less current portion	2,339	2,355
Non-current liabilities of discontinued operations	<u>1,841</u>	<u>1,950</u>
Total non-current liabilities	<u>4,180</u>	<u>4,305</u>
Total liabilities	<u>19,404</u>	<u>19,003</u>

### SHAREHOLDERS' EQUITY:

Total shareholders' equity	<u>43,403</u>	<u>44,298</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 62,807</u>	<u>\$ 63,301</u>

CONTACT: DGT HOLDINGS CORP.

John J. Quicke  
Chief Executive Officer

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Chief Financial Officer  
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