

DGT HOLDINGS CORP.

FORM 10-Q (Quarterly Report)

Filed 12/07/95 for the Period Ending 10/28/95

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended October 28, 1995
Commission File Number 1-10512

DEL ELECTRONICS CORP.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-1784308
(I.R.S. Employer
Identification No.)

One Commerce Park, Valhalla, NY 10595
(Address of principal executive offices)
(Zip Code)

(914) 686-3600
(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Common Stock - 4,197,649

PART I

Item 1. Financial Statements

Consolidated Balance Sheets - October 28, 1995 and July 29, 1995

Consolidated Statements of Income for the Three Months ended October 28, 1995 and October 29, 1994

Consolidated Statements of Cash Flows for the Three Months ended October 28, 1995 and October 29, 1994

Notes to Consolidated Financial Statements

DEL ELECTRONICS CORP. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	October 28, 1995	July 29, 1995
CURRENT ASSETS		
Cash and cash equivalents	\$ 295,381	\$ 505,989
Investments available-for-sale	413,881	378,534
Trade receivables	5,230,424	6,456,853
Cost and estimated earnings in excess of billings on uncompleted contracts	404,030	395,847
Inventory	19,125,131	18,038,358
Prepaid expenses and other current assets	1,466,571	1,117,963
Total Current Assets	26,935,418	26,893,544
FIXED ASSETS - NET		
GOODWILL - NET	7,963,243	7,752,781
DEFERRED CHARGES	2,833,713	2,865,408
OTHER ASSETS	839,153	876,638
.....	620,877	666,263
TOTAL	\$39,192,404	\$39,054,634
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 943,383	\$ 943,383
Accounts payable - trade	2,537,524	2,539,615
Accrued liabilities	2,454,247	2,484,435
Income taxes payable	425,809	277,830
Total Current Liabilities	6,360,963	6,245,263
LONG-TERM LIABILITIES		
LONG-TERM DEBT (less current portion included above)	11,391,132	11,902,951
OTHER	778,948	775,541
DEFERRED TAXES PAYABLE	605,806	605,806
Total Liabilities	19,136,849	19,529,561
SHAREHOLDERS' EQUITY		
Common stock, \$.10 par value		
Authorized - 10,000,000 shares		
Issued and outstanding -		
October 28, 1995 - 4,253,814		
July 29, 1995 - 4,253,486	425,417	412,960
Additional paid-in capital	17,013,878	16,239,784
Retained earnings	2,939,390	3,189,244
Total Shareholders' Equity	20,378,685	19,841,988
Less common shares in treasury -		
October 28, 1995 - 56,165		
July 29, 1995 - 55,165	323,130	316,915
Total Shareholders' Equity	20,055,555	19,525,073
TOTAL	\$39,192,404	\$39,054,634
	=====	=====

See notes to consolidated financial statements

DEL ELECTRONICS CORP. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended	
	October 28, 1995	October 29, 1994
Net Sales.....	\$7,471,181	\$6,136,056
Costs and expenses		
Cost of sales.....	4,190,634	3,219,205
Research and development.....	642,831	520,756
Selling, general & administrative.....	1,571,966	1,476,774
Interest expense - net.....	309,227	271,006
	6,714,658	5,487,741
Income before provision for income taxes.....	756,523	648,315
Provision for income taxes.....	226,957	197,700
	\$ 529,566	\$ 450,615
	=====	=====
Per share amounts: on share and common share equivalents primary and fully diluted	\$.11	\$.09
	=====	=====
Weighted average number of common shares outstanding and common share equivalents	5,228,250	5,080,137
	=====	=====

See notes to consolidated financial statements

DEL ELECTRONICS CORP. & SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	October 28, 1995	October 29, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 529,566	\$ 450,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Imputed interest	16,532	6,492
Depreciation	160,610	192,221
Amortization	97,308	103,375
Changes in assets and liabilities:		
Decrease in trade receivables	1,226,429	986,535
(Increase) decrease in cost and estimated earnings in excess of billings on uncompleted contracts	(8,183)	143,550
Increase in inventory	(1,086,773)	(1,544,505)
Increase in prepaid and other current assets	(362,808)	(20,061)
Decrease (increase) in other assets	31,458	(3,981)
Decrease in accounts payable - trade	(2,091)	(380,005)
Decrease in accrued liabilities	(30,189)	(74,140)
Increase in income taxes payable	147,979	--
	719,838	(139,904)
Net cash provided by (used in) operating activities	719,838	(139,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for fixed assets	(371,072)	(175,584)
Investment in marketable securities	(35,347)	(52,345)
Payments to former shareholder of subsidiary acquired	(13,125)	(12,500)
	(419,544)	(240,429)
Net cash used in investing activities ..	(419,544)	(240,429)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment of) proceeds from bank borrowing	(511,819)	117,858
Interest rate protection purchased	--	(71,500)
Payment for repurchase of shares	(6,215)	(41,667)
Proceeds from exercise of stock options ...	7,132	57,000
	(510,902)	61,691
Net cash (used in) provided by financing activities	(510,902)	61,691

See notes to consolidated financial statements

DEL ELECTRONICS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

(Continued)

(Unaudited)

	Three Months Ended	
	October 28, 1995	October 29, 1994
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (210,608)	\$ (318,642)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	505,989	445,597
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 295,381	\$ 126,955
	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ 119,543	\$ 80,964
	=====	=====
Income taxes paid	\$ 78,978	\$ 87,369
	=====	=====

See notes to consolidated financial statements

DEL ELECTRONICS CORP. & SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 In the opinion of the Company's management, the accompanying

unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the results of the Company's financial position as of October 28, 1995 and the results of its operations and its cash flows for the three months ended October 28, 1995 and October 29, 1994.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements as of July 29, 1995.

The consolidated financial statements should be read in conjunction with the notes to the financial statements as of July 29, 1995.

NOTE 2 The results of operations for the three month period ended October

28, 1995 are not necessarily indicative of the results to be expected for the full year.

NOTE 3 PERCENTAGE OF COMPLETION ACCOUNTING

	Balance at October 28, 1995
Costs incurred on uncompleted contracts	\$ 344,309
Estimated earnings	94,921

	439,230
Less: Billings to-date	35,200

Costs and estimated earnings in excess of billing on uncompleted contracts	\$ 404,030
	=====

NOTE 4 Inventory is stated at a lower of cost (first-in, first-out) or market.

Inventories and their effect on cost of sales are determined by physical count for annual reporting purposes and are estimated by management for interim reporting purposes.

Inventory consists of the following:

	October 28, 1995	July 29, 1995
Finished goods	\$ 4,663,072	\$ 4,398,096
Work in process	8,103,038	7,642,588
Raw material and purchased parts	6,359,021	5,997,674
	-----	-----
Total	\$19,125,131	\$18,038,358
	=====	=====

NOTE 5 FIXED ASSETS

Fixed assets consist of the following:

	October 28, 1995	July 29, 1995
Land	\$ 694,046	\$ 694,046
Building	2,146,025	2,146,025
Machinery and equipment	6,870,062	6,624,296
Furniture and fixtures	782,035	773,694
Leasehold improvements	791,994	790,226
Construction in Progress	139,796	76,023
Transportation equipment	11,425	10,987
	-----	-----
	11,435,383	11,115,297
Less accumulated depreciation and amortization	3,472,140	3,362,516
	-----	-----
	\$ 7,963,243	\$ 7,752,781
	=====	=====

NOTE 6 Net income per common share was computed using the modified

treasury stock method. This method was utilized since the number of shares of common stock obtainable upon the assumed exercise of outstanding options and warrants in the aggregate exceeded 20 percent of the number of common shares outstanding at the end of the period. The weighted average number of common shares and common share equivalents for the period and for all periods presented includes the effect of the 3 percent stock dividend (see Note 7) declared on November 20, 1995.

NOTE 7 On November 20, 1995, the Company declared a 3 percent stock dividend

to holders of record on December 5, 1995, payable December 21, 1995.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company has a line of credit of \$10,000,000 and outstanding balances on two term loans of \$1,928,580 and \$2,750,000 at October 28, 1995. Borrowing under the line of credit is based on 85 percent of eligible accounts receivable and 50 percent of inventory, and has a \$1,000,000 maximum sub-limit for letters of credit. As of October 28, 1995 the amount outstanding under the line of credit was \$7,625,000 and the unused and available portion of the line of credit was approximately \$1,825,000. Letters of credit outstanding were approximately \$550,000.

The Company believes that its current financial resources, future operating revenue and existing credit lines will be sufficient to meet its foreseeable working capital requirements.

Working capital was \$20,574,455 at October 28, 1995, compared to \$20,648,281 at July 29, 1995, a decrease of 3.6 percent. The current ratio decreased to 4.23 to 1 at October 28, 1995 from 4.31 to 1 at July 29, 1995.

Investments available-for-sale of \$413,881 at October 28, 1995 consist primarily of corporate debt securities and equities. These investments are used to fund a deferred compensation plan for a key Company employee.

Trade receivables at October 28, 1995 decreased \$1,226,429 as compared to July 29, 1995 as the result of collections and lower sales levels in the quarter ended October 28, 1995 as compared to the quarter ended July 29, 1995. This is primarily attributable to more workdays in the last quarter of the Company's fiscal year as compared to the first quarter of its fiscal year due to plant shutdowns for summer vacations.

Unbilled contract revenues were \$404,030 at October 28, 1995 as compared to \$395,847 at July 29, 1995 due to work performed on contracts which utilize the percentage of completion method of accounting.

Inventory at October 28, 1995 increased approximately \$1,086,773 as compared to July 29, 1995. Major new orders received in the quarter ended October 28, 1995 resulted in the increase of inventory levels.

Prepaid expenses and other current assets increased approximately \$363,000 at October 28, 1995 as compared to July 29, 1995. This increase was primarily attributable to advanced payments for inventory for Del Medical Systems under its exclusive distribution agreement for diagnostic medical image enhancers and worker's compensation insurance policy premiums.

Capital expenditures for the quarter ended October 28, 1995 were approximately \$371,000. These expenditures were primarily for assembly and test equipment for improved manufacturing efficiencies. Depreciation expense was \$160,610 for the quarter ended October 28, 1995 as compared to \$192,221 for the quarter ended October 29, 1994 because certain classes of fixed assets have been fully depreciated. There were no material open commitments for capital equipment expenditures at October 28, 1995. The funds for capital expenditure improvements were derived from operations and short-term borrowing.

The Company's debt at October 28, 1995 decreased approximately \$512,000 as compared to July 29, 1995. The decrease is due primarily to collections of trade receivables during the quarter.

The Company repurchased 1,000 shares of its common stock for \$6,215 during the quarter ended October 28, 1995.

RESULTS OF OPERATIONS

Net sales for the quarter ended October 28, 1995 were \$7,471,181 as compared to \$6,136,056 in the quarter ended October 29, 1994, an increase of approximately 22 percent. The increase was due to internal growth in all operating units.

Cost of sales as a percentage of sales increased from 52.5 percent in the quarter ended October 29, 1994 to 56.1 percent in the quarter ended October 28, 1995. This increase was due to the change in the mix of the products sold during the respective periods.

Research and development costs increased to approximately \$643,000 in the quarter ended October 28, 1995 from \$521,000 in the quarter ended October 29, 1994. The Company continues to invest in research and new product development of state-of-the-art products for its medical, industrial and defense electronic markets.

Selling, general and administrative expenses as a percentage of sales decreased from 24.1 percent in the quarter ended October 29, 1994 to 21.0 percent in the quarter ended October 28, 1995. While selling, general and administrative expenses increased approximately 6.4 percent from last year's quarter, the percentage decrease is primarily attributable to the increase in revenue levels for the current year's quarter as compared to the comparable quarter last year.

Interest expense for the quarter ended October 28, 1995 increased to \$309,227 from \$271,006 in the quarter ended October 29, 1994.

Income tax expense decreased to 30.0 percent of pre-tax income in the quarter ended October 28, 1995 from 30.5 percent in the quarter ended October 29, 1994. This decrease was primarily due to more sales being made through the Company's Foreign Sales Corporation and increased research and development and other tax credits.

Net income for the quarter ended October 28, 1995 was \$529,566 as compared to \$450,615 for the quarter ended October 29, 1994. For the quarter ended October 28, 1995 primary and fully diluted earnings per share were \$.11 as compared to \$.09 in the quarter ended October 29, 1994. The number of outstanding shares and common share equivalents increased approximately 2.9% from October 29, 1994.

The backlog of unshipped orders at October 28, 1995 was approximately \$19.5 million.

PART II

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults on Senior Securities

None

Item 4. Submission to a Vote of Security Holders

None

Item 5. Other Information

(i) On November 20, 1995, the Registrant declared a 3 percent stock dividend payable on December 20, 1995 to holders of record on December 5, 1995.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: Exhibit 11 - Computation of Earnings per Common Share

(b) Report on Form 8-K: None

SIGNATURES

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

DEL ELECTRONICS CORP.

/S/Leonard A. Trugman

*Leonard A. Trugman
Chairman of the Board,
Chief Executive Officer
and President*

/S/Michael H. Taber

*Michael H. Taber
Chief Financial Officer &
Secretary*

Dated: December 5, 1995

EXHIBIT 11

DEL ELECTRONICS CORP. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

THREE MONTHS ENDED OCTOBER 28, 1995

	Primary	Fully Diluted
Reconciliation of net income per statement of income to amount used in earnings per share computation:		
Net income	\$ 529,566	\$ 529,566
Assumed reduction of - Interest on short-term debt, debt tax effect on application of assumed proceeds from exercise of options subject to limitations under the Modified Treasury Stock method	22,626 -----	22,626 -----
Net income, as adjusted	\$ 552,192 =====	\$ 552,192 =====
Reconciliation of weighted average number of shares outstanding to amount used in earnings per share computation:		
Weighted average number of shares outstanding	4,196,864	4,196,864
Add - shares issuable from assumed exercise of options subject to limitations under the Modified Treasury Stock method	1,031,386 -----	1,031,386 -----
Weighted average number of shares outstanding as adjusted	5,228,250 =====	5,228,250 =====
Net income per common share	\$.11 =====	\$.11 =====

The Company utilized the Modified Treasury Stock method for computing net income per common share. Under this method, the funds obtained by the assumed exercise of all options and warrants were applied to repurchase common stock at the average market price but limited to an amount of repurchased shares to no greater than 20% of the then outstanding actual common shares. Any assumed funds still available after the repurchase of 20% of outstanding actual common shares were assumed to be utilized to reduce the existing short-term debt. The adjustment to net income has been shown net of tax effect of 30%.

ARTICLE 5

CIK: 0000027748

NAME: DEL ELECTRONICS CORP.

MULTIPLIER: 1

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	AUG 03 1996
PERIOD START	JUL 30 1995
PERIOD END	OCT 28 1995
EXCHANGE RATE	1.000
CASH	295,381
SECURITIES	413,881
RECEIVABLES	5,382,355
ALLOWANCES	151,931
INVENTORY	19,125,131
CURRENT ASSETS	1,466,571
PP&E	11,435,383
DEPRECIATION	3,472,140
TOTAL ASSETS	39,192,404
CURRENT LIABILITIES	6,360,963
BONDS	0
COMMON	425,417
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	19,630,138
TOTAL LIABILITY AND EQUITY	39,192,404
SALES	7,471,181
TOTAL REVENUES	7,471,181
CGS	4,190,634
TOTAL COSTS	4,190,634
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	309,227
INCOME PRETAX	756,523
INCOME TAX	226,957
INCOME CONTINUING	529,566
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	529,566
EPS PRIMARY	.11
EPS DILUTED	.11

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