

DGT HOLDINGS CORP.

FORM 10-Q (Quarterly Report)

Filed 03/11/97 for the Period Ending 02/01/97

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 February 1, 1997
Commission File Number 1-10512

DEL GLOBAL TECHNOLOGIES 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 ----- (Address of principal executive offices)	10595 ----- (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 - 7,400,414

PART I

Item 1. Financial Statements

Consolidated Balance Sheets - February 1, 1997 and August 3, 1996

Consolidated Statements of Income for the Three Months and Six Months ended February 1, 1997 and February 3, 1996

Consolidated Statements of Cash Flows for the Six Months ended February 1, 1997 and February 3, 1996

Notes to Consolidated Financial Statements

DEL GLOBAL TECHNOLOGIES CORP. & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS

	February 1, 1997	August 3, 1996
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,528,176	\$ 5,817,800
Investments available-for-sale	640,283	545,651
Trade receivables	9,533,259	9,221,328
Inventory	25,496,375	23,819,882
Prepaid expenses and other current assets	1,999,939	1,675,039
	-----	-----
Total current assets	43,198,032	41,079,700
	-----	-----
FIXED ASSETS - Net	10,204,605	9,538,489
INTANGIBLES - Net	1,283,271	1,322,552
GOODWILL - Net	4,231,099	4,311,472
DEFERRED CHARGES	712,569	784,751
OTHER ASSETS	638,534	692,788
	-----	-----
TOTAL	\$60,268,110	\$57,729,752
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

Current portion of long-term debt	\$ 117,420	\$ 120,078
Accounts payable - trade	4,193,165	3,693,580
Accrued liabilities	3,698,788	4,070,202
Income taxes	674,846	643,545
	-----	-----
Total current liabilities	8,684,219	8,527,405
	-----	-----
LONG-TERM LIABILITIES		
Long-term debt (less current portion included above)	531,620	499,852
Other	795,709	789,589
Deferred income taxes	843,378	843,378
	-----	-----
Total liabilities	10,854,926	10,660,224
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, \$.10 par value:		
Authorized - 10,000,000 shares;		
Issued and outstanding -		
7,467,669 shares at February 1, 1997	746,767	722,340
and 7,440,108 shares at August 3, 1996		
Additional paid-in capital	45,307,346	43,272,713
Retained earnings	3,769,066	3,411,160
	-----	-----
	49,823,179	47,406,213
	-----	-----
Less common stock in treasury -		
67,255 shares at February 1, 1997		
and 58,255 shares at August 3, 1996	409,995	336,685
	-----	-----
Total shareholders' equity	49,413,184	47,069,528
	-----	-----
TOTAL	\$60,268,110	\$57,729,752
	=====	=====

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	Feb. 1, 1997	Feb. 3, 1996	Feb. 1, 1997	Feb. 3, 1996
NET SALES	\$ 12,691,871	\$ 9,329,438	\$ 25,003,255	\$ 16,800,619
COSTS AND EXPENSES:				
Cost of sales	7,558,599	5,553,918	15,064,837	9,744,552
Research and development	1,115,612	789,063	2,192,439	1,431,894
Selling, general & administrative	2,434,208	1,784,151	4,759,747	3,356,117
Interest (income) or expense - net	(27,840)	285,984	(47,296)	595,211
	11,080,579	8,413,116	21,969,727	15,127,774
INCOME BEFORE PROVISION FOR INCOME TAXES	1,611,292	916,322	3,033,528	1,672,845
PROVISION FOR INCOME TAXES	491,444	283,261	925,226	510,218
NET INCOME	\$ 1,119,848	\$ 633,061	\$ 2,108,302	\$ 1,162,627
Per share amounts:				
Net income per common share and common share equivalents				
- primary	\$.13	\$.12	\$.25	\$.22
- fully diluted	\$.13	\$.11	\$.25	\$.21
Weighted average number of common shares outstanding and common share equivalents				
- primary	8,583,517	5,587,027	8,523,422	5,566,839
- fully diluted	8,620,692	5,597,408	8,561,147	5,572,030

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	Feb. 3, 1997	Feb. 3, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 2,108,302	\$ 1,162,627
Adjustments to reconcile net income to net cash provided by operating activities:		
Imputed Interest	33,968	33,133
Depreciation	471,697	338,919
Amortization	263,782	194,617
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(311,931)	731,732
Increase in cost and estimated earnings in excess of billings		
billings on uncompleted contracts	--	(8,183)
Increase in inventory	(1,676,493)	(1,870,199)
Increase in prepaid and other current assets	(350,951)	(503,223)
Decrease in other assets	27,402	37,861
Increase in accounts payable - trade	499,585	208,502
Decrease in accrued liabilities	(371,412)	(346,549)
Increase in income taxes payable	178,918	266,768
	872,867	246,005
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for fixed assets	(1,137,813)	(761,231)
Net cash paid on acquisition of subsidiaries	(15,000)	--
Investment in marketable securities - net	(94,632)	(119,256)
Payments to former shareholders of subsidiary acquired	(27,850)	(26,250)
	(1,275,295)	(906,737)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from (repayment of) bank borrowing	29,110	(147,554)
Payment for repurchase of shares	(73,310)	(19,770)
Proceeds from exercise of stock options and warrants	175,338	491,867
Other	(18,334)	(7,748)
	112,804	316,795
Net cash provided by financing activities		

(Continued)

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	Feb. 1, 1997	Feb 3, 1996
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (289,624)	\$ (343,937)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,817,800	505,989
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 5,528,176	\$ 162,052
SUPPLEMENTAL DISCLOSURES OF CASH FLOW		
INFORMATION:		
Interest paid	\$ 27,950	\$ 569,505
Income taxes paid	\$ 747,057	\$ 269,405

(Concluded)

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES 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 February 1, 1997 and the results of its operations and its cash flows for the six months ended February 1, 1997 and February 3, 1996.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements as of August 3, 1996.

The consolidated financial statements should be read in conjunction with the notes to the financial statements as of August 3, 1996.

NOTE 2 The results of operations for the six month period ended February

1, 1997 are not necessarily indicative of the results to be expected for the full year.

NOTE 3 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:

	Feb. 1, 1997	Aug. 3, 1996
	-----	-----
Finished goods	\$ 5,848,404	\$ 5,463,847
Work-in-process	10,209,391	9,538,081
Raw material and purchased parts	9,438,580	8,817,954
	-----	-----
Total	\$25,496,375	\$23,819,882
	=====	=====

NOTE 4 FIXED ASSETS

Fixed assets consist of the following:

	Feb. 1, 1997	Aug. 3, 1996
	-----	-----
Land	\$ 694,046	\$ 694,046
Building	2,146,025	2,146,025
Machinery and equipment	9,268,032	8,426,324
Furniture and fixtures	1,235,764	833,880
Leasehold improvements	1,085,642	1,043,996
Construction in progress	263,999	435,102
Transportation equipment	30,103	11,425
	-----	-----
14,723,611		13,590,798
Less accumulated depreciation and amortization	4,519,006	4,052,309
	-----	-----
Net fixed assets	\$10,204,605	\$ 9,538,489
	=====	=====

NOTE 5 Net income per common share was computed using the treasury stock

method. 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 6) declared on November 19, 1996.

NOTE 6 On November 19, 1996, the Company declared a 3 percent stock

dividend to holders of record on December 4, 1996, payable December 23, 1996.

NOTE 7 ACQUISITION

As of March 6, 1996, the Company acquired certain selected assets of the Gendex Medical Division of Dentsply International Inc. ("Dentsply"), which have been consolidated as of that date. The new entity formed is the Gendex-Del Medical Imaging Corp. ("Gendex-Del").

Unaudited pro-forma financial information for the 3 and 6 month periods ended February 3, 1996, as if the Gendex Medical acquisition occurred at the beginning of the respective periods, is as follows:

	Three Months Ended Feb. 3, 1996 -----	Six Months Ended Feb. 3, 1996 -----
Net Sales	\$ 13,325,247 =====	\$25,663,032 =====
Income before provision for income taxes	\$ 710,425 =====	\$ 1,257,247 =====
Net Income	\$ 493,745 =====	\$ 873,782 =====
Net income per common share and common share equivalents primary and fully diluted	\$.09 =====	\$.16 =====

The pro forma financial information presented above is not necessarily indicative of the operating results which would have been achieved had the Company acquired Gendex Medical at the beginning of the periods presented or of the results to be achieved in the future.

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

RESULTS OF OPERATIONS

Net sales for the three months ended February 1, 1997 were approximately \$12.7 million compared to approximately \$9.3 million, an increase of approximately 36.0 percent over the corresponding period in the prior year. Net sales for the six months ended February 1, 1997 were approximately \$25.0 million as compared to approximately \$16.8 million for the six months ended February 3, 1996, an increase of approximately 48.8 percent. These increases are due to the inclusion of net sales from the Gendex-Del subsidiary.

Cost of sales, as a percentage of net sales for the three months ended February 1, 1997, was 59.6 percent compared to 59.5 percent for the prior corresponding period. Cost of sales, as a percentage of net sales, for the six months ended February 1, 1997 was 60.3 percent as compared to 58.0 percent for the six months ended February 3, 1996. This change was due to the change in product mix in the periods. The current year period includes the gross margins of medical imaging systems manufactured by Gendex-Del.

Research and development expenses increased to approximately \$1.1 million for the three months ended February 1, 1997 from approximately \$789,000 for the three months ended February 3, 1996. Research and development expenses increased to approximately \$2.2 million for the six months ended February 1, 1997 from approximately \$1.4 million for the six months ended February 3, 1996. The increase was attributable to Gendex-Del and the increase in other research and development activities. The Company continues to invest in research and development in order to introduce new state-of-the-art products for its medical and industrial markets.

Selling, general and administrative expenses were approximately \$2.4 million for the three months ended February 1, 1997 as compared to approximately \$1.8 million for the same period in the prior year. Selling, general and administrative expenses increased to approximately \$4.8 million for the six months ended February 1, 1997 from approximately \$3.4 million for the same period in the prior year. These increases are primarily attributable to the inclusion of the selling, general and administrative expenses of Gendex-Del.

Net interest income was approximately \$28,000 for the three months ended February 1, 1997 as compared to net interest expense of approximately \$286,000 for the corresponding period in the prior year. Net interest income was approximately \$47,000 for the six months ended February 1, 1997 compared to approximately \$595,000 of interest expense for the corresponding prior period. Interest expense was significantly reduced as the Company paid off substantially all of its debt. Interest income resulted from the investment of some of the proceeds from the public offering of the Company's common stock, which were in money market instruments and high grade commercial paper.

Income tax expense was 30.5 percent of pre-tax income for the six months ended February 1, 1997 and for the six months ended February 3, 1996. The decrease from statutory rates is primarily due to sales being made through the Company's Foreign Sales Corporation, research and development and other tax credits.

Net income increased to approximately \$1.1 million for the three months ended February 1, 1997, an increase of approximately 76.9 percent from approximately \$633,000 for the prior corresponding period. Net income per common share for the three months ended February 1, 1997 increased to \$.13 from \$.12, on a primary basis, even though the weighted number of common shares outstanding and common share equivalents increased approximately 53.6 percent to 8,583,517 from 5,587,027 shares in the prior corresponding period. Net income per common share for the three months ended February 1, 1997 increased to \$.13 from \$.11, on a fully diluted basis, even though the weighted number of common shares outstanding and common share equivalents increased approximately 54.0 percent to 8,620,692 from 5,597,408 shares in the prior corresponding period. Net income

increased to approximately \$2.1 million for the six months ended February 1, 1997, an increase of approximately 81.3 percent from approximately \$1.2 million for the prior corresponding period. Net income per common share for the six months ended February 1, 1997 increased to \$.25 from \$.22, on a primary basis, even though the weighted number of common shares outstanding and common share equivalents increased approximately 53.1 percent to 8,523,422 from 5,566,839 shares in the prior corresponding period. Net income per common share for the six months ended February 1, 1997 increased to \$.25 from \$.21, on a fully diluted basis, even though the weighted number of common shares outstanding and common share equivalents increased approximately 53.6 percent to 8,561,147 from 5,572,030 shares in the prior corresponding period. The increases in net income for the three and six month periods ended February 1, 1997 are primarily due to higher sales to the Company's medical imaging and diagnostic product customers.

The Company's growth strategy continues to be to grow internally by expanded product development and marketing and by acquisition and/or joint ventures with specific focus on cost-effective medical imaging and diagnostic products.

The backlog of unshipped orders at February 1, 1997 was approximately \$22.2 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company has funded its operations and acquisitions through a combination of cash flow from operations, bank borrowing and the issuance of the Company's common stock.

Working Capital. At February 1, 1997 and August 3, 1996, the Company's working capital was approximately \$34.5 million and \$32.6 million, respectively. On February 1, 1997 and August 3, 1996 the Company had approximately \$5.5 million and \$5.8 million, respectively, in cash and cash equivalents.

Inventory at February 1, 1997 increased approximately \$1.7 as compared to August 3, 1996. Major new orders received in the quarter ended February 1, 1997 resulted in the increase of inventory levels.

Credit Facility and Borrowing. At February 1, 1997, the Company had a \$14.0 million revolving credit line and a \$10.0 million acquisition credit line. The available portion of the revolving credit line was approximately \$13.6 million, after deducting outstanding letters of credit of approximately \$262,500, and \$9.6 million was available under its acquisition credit line.

Capital Expenditures. The Company continues to invest in capital equipment, principally for its manufacturing operations, in order to improve its manufacturing capability and capacity. The Company has expended approximately \$608,000 and \$1.1 million for capital equipment for the three month and six month periods ended February 1, 1997, respectively.

The Company anticipates that cash generated from operations and amounts available under its bank lending facilities will be sufficient to satisfy its current operating cash needs.

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

At the annual meeting of stockholders of the Company held on February 13, 1997, the stockholders:

(a) Elected the following directors: Natan V. Bertman, David Michael, Seymour Rubin James Tiernan and

Leonard A. Trugman.

Election of Directors -----	For -----	Withheld -----
L.A. Trugman	6,681,327	75,940
N.V. Bertman	6,409,791	347,476
D. Michael	6,682,226	75,041
S. Rubin	6,678,742	78,525
J. Tiernan	6,675,030	82,237

(b) Approved the proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 10,000,000 to 20,000,000 shares.

For -----	Against -----	Abstain -----	Broker No Vote -----
6,386,948	313,972	54,575	1,772

Item 5. Other Information

(i) On November 19, 1996, the Registrant declared a 3 percent stock dividend payable on December 23, 1996 to holders of record on December 4, 1996.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: Exhibit 3.1 - Certificate of Amendment of the Certificate of Incorporation dated February 13, 1997 Exhibit 11 - Computation of Earnings per Common Share Exhibit 27 - Financial Data Schedule

(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 GLOBAL TECHNOLOGIES CORP.

/S/LEONARD A. TRUGMAN

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

/S/MICHAEL H. TABER

*Michael H. Taber
Vice President - Finance,
Secretary and Chief
Accounting Officer*

Dated: March 11, 1997

**CERTIFICATE OF AMENDMENT OF THE
CERTIFICATE OF INCORPORATION
OF
DEL GLOBAL TECHNOLOGIES CORP.
Under Section 805 of the Business Corporation Law**

It is hereby certified that:

FIRST: The name of the Corporation is DEL GLOBAL TECHNOLOGIES CORP. (the "Corporation").

SECOND: The certificate of incorporation of the Corporation was filed by the Department of State on October 26, 1954. The name under which the Corporation was formed is Del Electronics Corp.

THIRD: The amendment of the certificate of incorporation of the Corporation effected by this certificate of amendment is as follows:

to increase the number of authorized shares of common stock, \$.10 par value, from ten million (10,000,000) shares to twenty million (20,000,000) shares, \$.10 par value.

FOURTH: To accomplish the foregoing amendment, paragraph "Third" of the certificate of incorporation of the Corporation is hereby amended to read as follows:

THIRD: the aggregate number of shares which the Corporation shall have authority to issue is Twenty Million (20,000,000) shares of common stock, \$.10 par value."

FIFTH: The foregoing amendment of the certificate of incorporation of the Corporation was authorized by the Board of Directors and followed by the majority vote of the holders of all of the outstanding shares of the Corporation entitled to vote on such amendment of the certificate of incorporation.

IN WITNESS WHEREOF, we have hereunto signed this certificate this 13th day of February, 1997, and affirmed that the statements made herein are true under penalties of perjury.

/S/LEONARD TRUGMAN

Leonard A. Trugman, President

/S/MICHAEL TABER

Michael Taber, Secretary

EXHIBIT 11

DEL GLOBAL TECHNOLOGIES CORP. & SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

THREE MONTHS AND SIX MONTHS ENDED FEBRUARY 1, 1997

	Three Months Ended February 1, 1997		Six Months Ended February 1, 1997	
	Primary	Fully Diluted	Primary	Fully Diluted
Net income	\$1,119,848	\$1,119,848	\$2,108,302	\$2,108,302
Reconciliation of weighted average number of shares outstanding to amount used in earnings per share computation:				
Weighted average number of shares outstanding	7,499,879	7,499,879	7,446,246	7,446,246
Add - shares issuable from assumed exercise of options under the Treasury Stock method	1,083,638	1,120,813	1,077,176	1,114,901
Weighted average number of shares outstanding as adjusted	8,583,517	8,620,692	8,523,422	8,561,147
Net income per common share	\$ 0.13	\$ 0.13	\$ 0.25	\$ 0.25

The Company utilized the Treasury Stock method for computing net income per common share.

ARTICLE 5

CIK: 0000027748

NAME: DEL GLOBAL TECHNOLOGIES CORP.

MULTIPLIER: 1

CURRENCY: U.S. DOLLARS

PERIOD TYPE	6 MOS
FISCAL YEAR END	AUG 02 1997
PERIOD START	AUG 04 1996
PERIOD END	FEB 01 1997
EXCHANGE RATE	1.000
CASH	5,528,176
SECURITIES	640,283
RECEIVABLES	9,752,322
ALLOWANCES	219,063
INVENTORY	25,496,375
CURRENT ASSETS	43,198,032
PP&E	14,723,611
DEPRECIATION	4,519,006
TOTAL ASSETS	60,268,110
CURRENT LIABILITIES	8,684,219
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	746,767
OTHER SE	48,666,417
TOTAL LIABILITY AND EQUITY	49,413,184
SALES	25,003,255
TOTAL REVENUES	25,003,255
CGS	15,064,837
TOTAL COSTS	15,064,837
OTHER EXPENSES	6,952,186
LOSS PROVISION	0
INTEREST EXPENSE	(47,296)
INCOME PRETAX	3,033,528
INCOME TAX	925,226
INCOME CONTINUING	2,108,302
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	2,108,302
EPS PRIMARY	0.25
EPS DILUTED	0.25

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