DGT HOLDINGS CORP.

FORM 10-Q
(Quarterly Report)

Filed 12/15/97 for the Period Ending 11/01/97

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 November 1, 1997
Commission File Number 0-3319

DEL GLOBAL TECHNOLOGIES CORP.
(Exact name of registrant as specified in its charter)

New York	13-1784308
(State or other jurisdiction of incorporation or organization)	(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 X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the business on December 11, 1997.

Common Stock - 7,471,463

PART I

Item 1. Financial Statements

Consolidated Balance Sheets - November 1, 1997 and August 2, 1997

Consolidated Statements of Income for the Three Months ended November 1, 1997 and November 2, 1996

Consolidated Statements of Cash Flows for the Three Months ended November 1, 1997 and November 2, 1996

Notes to Consolidated Financial Statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	November 1, 1997	August 2, 1997
CURRENT ASSETS		
Cash and cash equivalents	$ 6,444,734	$ 6,070,608
Investments available-for-sale	959,457	722,566
Trade receivables - net	12,113,684	11,211,357
Cost and estimated earnings in excess of billings on uncompleted contracts	2,283,259	1,868,002
Inventory	25,209,188	24,681,348
Prepaid expenses and other current assets	1,868,212	1,808,762
Total current assets	48,878,534	46,362,643
FIXED ASSETS - Net	11,452,745	11,159,010
INTANGIBLES - Net	1,070,104	1,112,991
GOODWILL - Net	4,087,565	4,135,409
DEFERRED CHARGES	476,978	507,933
OTHER ASSETS	849,656	851,824
TOTAL	$66,815,582	$64,129,810

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

	November 1, 1997	August 2, 1997
Current portion of long-term debt	$ 126,067	$ 127,999
Accounts payable - trade	4,568,043	3,936,529
Accrued liabilities	3,717,297	3,699,188
Deferred compensation liability	784,427	722,566
Income taxes	1,008,438	868,949
Total current liabilities	10,204,272	9,355,231
LONG-TERM LIABILITIES		
LONG-TERM DEBT (less current portion included above)	377,840	411,127
OTHER	717,691	725,258
DEFERRED INCOME TAXES	1,165,323	1,107,964
Total liabilities	12,465,126	11,599,580
SHAREHOLDERS' EQUITY		
Common stock, $.10 par value; Authorized 20,000,000 shares; Issued and outstanding - 7,611,718 shares at November 1, 1997 and 7,516,234 shares at August 2, 1997	761,171	751,622
Additional paid-in capital	46,535,304	45,909,517
Retained earnings	7,829,305	6,572,318
	55,125,780	53,233,457
Less common stock in treasury - 111,255 shares at November 1, 1997 and 104,255 at August 2, 1997	775,324	703,227
Total shareholders' equity	54,350,456	52,530,230
TOTAL	$66,815,582	$64,129,810

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended	
	November 1, 1997	November 2, 1996
NET SALES	$ 13,480,069	$ 12,311,384
COSTS AND EXPENSES:		
Cost of sales	8,047,545	7,506,238
Research and development	1,235,889	1,076,827
Selling, general and administrative	2,402,399	2,325,539
Interest income - net	(54,275)	(19,456)
	11,631,558	10,889,148
INCOME BEFORE PROVISION FOR INCOME TAXES	1,848,511	1,422,236
PROVISION FOR INCOME TAXES	591,524	433,782
NET INCOME	$ 1,256,987	$ 988,454
Per share amounts:		
Net income per common share and common share equivalents	$ .15	$ .12
Weighted average number of common shares outstanding and common share equivalents	8,609,984	8,463,327

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended November 1, 1997	Three Months Ended November 2, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,256,987	$ 988,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Imputed interest	16,570	16,954
Depreciation	320,596	231,625
Amortization	132,931	132,391
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(902,327)	236,482
Increase in cost and estimated earnings in excess of billings on uncompleted contracts	(415,257)	--
Increase in inventory	(527,840)	(880,188)
Increase in prepaid and other current assets	(69,493)	(78,208)
Increase in other assets	(4,038)	(1,831)
Increase (decrease) in accounts payable- trade	631,514	(25,085)
Increase (decrease) in accrued liabilities	18,112	(511,896)
Increase in deferred compensation liability	61,861	33,695
Increase in income taxes payable	201,852	51,614
Net cash provided by operating activities	721,468	194,007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for fixed assets	(614,333)	(607,796)
Investment in marketable securities	(236,891)	(33,695)
Payments to former shareholders of subsidiary acquired	(24,137)	(13,925)
Net cash used in investing activities	(875,361)	(655,416)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment of) proceeds from bank borrowing	(35,219)	323,000
Payment for repurchase of shares	(72,097)	--
Proceeds from exercise of stock options and warrants	638,548	138,352
Other	(3,213)	(13,385)
Net cash provided by financing activities	528,019	447,967

(Continued)

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended November 1, 1997	Three Months Ended November 2, 1996
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 374,126	$ (13,442)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,070,608	5,817,800
CASH AND CASH EQUIVALENTS, END OF PERIOD	$6,444,734	$ 5,804,358

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Interest paid	$ 18,005	$ 14,340
Income taxes paid	$ 389,672	$ 407,739
Tax benefit related to exercise of stock options and warrants	$ --	$ 139,397

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND 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 November 1, 1997 and the results of its operations and its cash flows for the three months ended November 1, 1997 and November 2, 1996.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements as of August 2, 1997.

The consolidated financial statements should be read in conjunction with the notes to the financial statements as of August 2, 1997.

NOTE 2 The results of operations for the three month period ended November 1, 1997 are not necessarily indicative of the results to be expected for the full year.

NOTE 3 INVESTMENTS

Investments available-for-sale at November 1, 1997 and August 2, 1997 include $784,427 and $722,566, respectively, for the Company's President's deferred compensation, pursuant to the terms of his employment contract. The liabilities of $784,427 and $722,566, respectively, are recorded as deferred compensation liability. Gains and losses on the investments held to fund the deferred compensation, either recognized or unrealized, inure to the benefit or detriment of the President's deferred compensation, based upon a contractual arrangement between the President and the Company. At November 1, 1997, the balance of investments available-for-sale of $175,030 are equity securities held by the Company for its own account. Realized and unrealized gains and losses on these securities for the period ended November 1, 1997 were not material and are recorded in the financial statements.

NOTE 4 PERCENTAGE OF COMPLETION ACCOUNTING

	November 1, 1997	August 2, 1997	Three Months Ended November 1, 1997
Costs incurred on uncompleted contracts	$4,047,633	$3,086,020	$ 961,613
Estimated earnings	2,153,236	1,578,126	575,110
	6,200,869	4,664,146	1,536,723
Less: Billings to date	3,917,610	2,796,144	1,121,466
Costs and estimated earnings in excess of billings on uncompleted contracts	$2,283,259	$1,868,002	$ 415,257

There were no contracts accounted for under the percentage of completion method of accounting for the three months ended November 2, 1996. The backlog of unshipped contracts being accounted for under the percentage of completion method of accounting was approximately $3,639,000 at November 1, 1997.

NOTE 5 INVENTORY

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:

	November 1, 1997	August 2, 1997
Finished goods	$ 3,942,391	$ 3,859,842
Work-in-process	9,979,753	9,770,789
Raw material and purchased ts	11,287,044	11,050,717
Total	$25,209,188	$24,681,348

NOTE 6 FIXED ASSETS

Fixed assets consist of the following:

	November 1, 1997	August 2, 1997
Land	$ 694,046	$ 694,046
Building	2,146,025	2,146,025
Machinery and equipment	11,439,108	10,865,897
Furniture and fixtures	1,302,072	1,280,216
Leasehold improvements	1,248,258	1,228,992
Transportation equipment	30,103	30,103
	16,859,612	16,245,279
Less accumulated depreciation and amortization	5,406,867	5,086,269
Net fixed assets	$11,452,745	$11,159,010

NOTE 7 Net income per common share was computed using the treasury stock method.

NOTE 8 EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

Earnings Per Share. In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." This statement is effective for financial statements issued for periods ending after December 15, 1997. Management has evaluated the effect on its financial reporting from the adoption of this statement and believes it will be significant. If SFAS No. 128 were effective for the quarter ended November 1, 1997, the effect of implementation would have resulted in "Basic Earnings per Share" of $.17 and "Diluted Earnings per Share" of $.15.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management Discussion and Analysis of Financial Condition and Results of Operations contains forward looking statements. Such statements involve various risks that may cause actual results to differ materially. These risks include, but are not limited to, the ability of the Company to grow internally or by acquisition and to integrate acquired businesses, changing industry or competitive conditions, and other risks referred to in the Company's registration statements and periodic reports filed with the Securities and Exchange Commission.

OVERVIEW

The Company's net sales have increased as a result of both internal growth and acquisitions. The Company has completed three acquisitions in the past five years: Dynarad (a designer and manufacturer of medical imaging systems and critical electronic subsystems) in fiscal 1993; Bertan (a designer and manufacturer of precision high voltage power supplies and instrumentation for medical and industrial applications) in fiscal 1994; and Gendex-Del (a manufacturer of medical imaging systems) in fiscal 1996. The Company's net sales have increased from approximately $18.9 million in fiscal 1992 to approximately $54.7 million in fiscal 1997, a compounded annual growth rate of 23.6%.

During the past five years the Company has grown internally and through acquisitions into a company whose predominant business is serving the medical imaging and diagnostic markets. The Company's net sales attributable to medical imaging products have increased from approximately $3.4 million or 17.7% of total net sales in fiscal 1992 to approximately $25.7 million or 59% of total net sales and approximately $35.6 million or 65.1% of total net sales in fiscal years 1996 and 1997, respectively.

Management believes that recent cost containment trends in the healthcare industry have created opportunities for its cost-effective medical imaging products in domestic and international markets. Some of these trends are increased demand for lower cost medical equipment, outsourcing of systems and critical electronic subsystems by leading Original Equipment Manufacturers ("OEMs"), increased demand for certain diagnostic procedures and lower cost medical services in the global marketplace.

RESULTS OF OPERATIONS

Net sales for the three months ended November 1, 1997 were approximately $13.5 million as compared to approximately $12.3 million for the three months ended November 2, 1996, an increase of 9.5%. The increase is due to internal growth from existing operations.

Cost of sales, as a percentage of net sales for the three months ended November 1, 1997, was 59.7% compared to 61% for the prior corresponding period. This improvement in margins is due to reduced manufacturing costs from efficiencies implemented in all existing operations.

Research and development expenses increased to approximately $1.2 million for the three months ended November 1, 1997 from approximately $1.1 million, an increase of 14.8%, for the three months ended November 2, 1996. The increase was primarily due to new product development. 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, or 17.8% of net sales, for the three months ended November 1, 1997 as compared to approximately $2.3 million, or 18.9% of net sales, for the same period in the prior year, an increase of 3.3%. This increase was due to higher levels of advertising, increased trade show attendance and the acceleration of amortization of certain intangible assets.

Net interest income was approximately $54,000 for the three months ended November 1, 1997 as compared to approximately $19,000 for the corresponding period in the prior year. Interest income resulted from the investment of a portion of the proceeds from the public offering of the Company's common stock, which are invested in money market instruments and high grade commercial paper.

Income tax expense was 32% of pre-tax income for the three months ended November 1, 1997 and 30.5% for the three months ended November 2, 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 $1,257,000 for the three months ended November 1, 1997, an increase of approximately 27% from approximately $988,000 for the prior corresponding period. Net income per common share at November 1, 1997 increased to $.15 from $.12 at November 2, 1996, an increase of 25%. The number of common shares outstanding and common share equivalents increased to 8,609,984 at November 1, 1997 from 8,463,327 at November 2, 1996. The increase in net income for the three month period ended November 1, 1997 is primarily due to internal growth and improved gross margins.

The backlog of unshipped orders at November 1, 1997 was approximately $33 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 November 1, 1997 and August 2, 1997, the Company's working capital was approximately $38.7 million and $37.0 million, respectively. At such dates the Company had approximately $6.4 million and $6.1 million, respectively, in cash and cash equivalents.

Trade receivables at November 1, 1997 increased approximately $902,000 as compared to August 2, 1997 primarily due to increased sales levels.

Cost and estimated earnings in excess of billings on uncompleted contracts increased to approximately $2.3 million at November 1, 1997 from approximately $1.9 million at August 2, 1997 due to additional work performed in the quarter on long term contracts accounted for under the percentage of completion method of accounting.

Inventory at November 1, 1997 increased approximately $528,000 as compared to August 2, 1997, primarily because of additional production requirements of a major new OEM contract which commenced in the third quarter of fiscal 1997.

Trade accounts payable increased approximately $632,000 at November 1, 1997 from August 2, 1997 primarily because of the increased inventory requirements of a major new OEM contract.

Credit Facility and Borrowing. At November 1, 1997, the Company had a $14 million revolving credit line and a $10 million acquisition credit line. The available portion of the revolving credit line was approximately $13.7 million, after deducting outstanding letters of credit of approximately $180,000 and $9.7 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 $614,000 for capital equipment for the three month period ended November 1, 1997.

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.

Shareholders' Equity. Shareholders' equity increased to approximately $54.4 million at November 1, 1997 from approximately $52.5 million at August 2, 1997, primarily due to the results of operations. Additionally, during the period approximately 95,000 stock options and warrants were exercised, with proceeds of approximately $639,000 and

7,000 shares of common stock were repurchased at a cost of approximately $72,000.

Effects of New Accounting Pronouncements

Earnings Per Share. In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." This statement is effective for financial statements issued for periods ending after December 15, 1997. Management has evaluated the effect on its financial reporting from the adoption of this statement and believes it will be significant. If SFAS No. 128 were effective for the quarter ended November 1, 1997, the effect of implementation would have resulted in "Basic Earnings per Share" of $.17 and "Diluted Earnings per Share" of $.15.

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

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: 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: December 12, 1997

EXHIBIT 11

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

THREE MONTHS ENDED NOVEMBER 1, 1997

	Primary	Fully Diluted
Net income	$1,256,987	$1,256,987
Reconciliation of weighted average number of shares outstanding to amount used in earnings per share computation:		
Weighted average number of shares outstanding	7,439,410	7,439,410
Add - shares issuable from assumed exercise of options under the Treasury Stock method	1,170,574	1,170,574
Weighted average number of shares outstanding as adjusted	8,609,984	8,609,984
Net income per common share	$ .15	$ .15

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

ARTICLE 5

CIK: 0000027748

NAME: DEL GLOBAL TECHNOLOGIES CORP.

PERIOD TYPE	3 MOS
FISCAL YEAR END	AUG 01 1998
PERIOD START	AUG 03 1997
PERIOD END	NOV 01 1997
CASH	6,444,734
SECURITIES	959,457
RECEIVABLES	12,194,366
ALLOWANCES	80,682
INVENTORY	25,209,188
CURRENT ASSETS	48,878,534
PP&E	16,859,612
DEPRECIATION	5,406,867
TOTAL ASSETS	66,815,582
CURRENT LIABILITIES	10,204,272
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	761,171
OTHER SE	53,589,285
TOTAL LIABILITY AND EQUITY	66,815,582
SALES	13,480,069
TOTAL REVENUES	13,480,069
CGS	8,047,545
TOTAL COSTS	8,047,545
OTHER EXPENSES	3,638,288
LOSS PROVISION	0
INTEREST EXPENSE	(54,275)
INCOME PRETAX	1,848,511
INCOME TAX	591,524
INCOME CONTINUING	1,256,987
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1,256,987
EPS PRIMARY	.15
EPS DILUTED	.15

End of Filing