DGT HOLDINGS CORP.

FORM 10-Q
(Quarterly Report)

Filed 12/10/99 for the Period Ending 10/30/99

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 30, 1999
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 8,1999.

Common Stock - 7,814,916

PART I

Item 1. Financial Statements

Consolidated Balance Sheets - October 30, 1999 and July 31, 1999

Consolidated Statements of Income for the Three Months ended October 30, 1999 and October 31, 1998

Consolidated Statements of Cash Flows for the Three Months ended October 30, 1999 and October 31, 1998

Notes to Consolidated Financial Statements

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

ASSETS

	October 30, 1999	July 31, 1999
CURRENT ASSETS		
Cash and cash equivalents	$ 626,113	$ 320,742
Investments available-for-sale	1,139,370	1,292,852
Trade receivables - net	14,912,641	15,624,433
Cost and estimated earnings in excess of billings on uncompleted contracts	7,759,094	6,402,532
Inventory	37,212,350	36,599,587
Prepaid expenses and other current assets	1,576,066	1,216,145
Total current assets	63,225,634	61,456,291
FIXED ASSETS - Net	14,975,212	14,668,060
INTANGIBLES - Net	834,191	879,898
GOODWILL - Net	5,164,082	5,236,965
DEFERRED CHARGES	231,873	264,464
OTHER ASSETS	1,613,763	1,598,279
TOTAL	$86,044,755	$84,103,957

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES

	October 30, 1999	July 31, 1999
Current portion of long-term debt	$ 784,467	$ 516,654
Accounts payable - trade	6,255,667	6,295,586
Accrued liabilities	4,556,690	4,468,521
Deferred compensation liability	1,209,321	1,201,065
Income taxes	1,114,894	1,224,451
Total current liabilities	13,921,039	13,706,277
LONG-TERM LIABILITIES		
LONG-TERM DEBT (less current portion included above)	2,078,832	1,832,287
OTHER	573,505	594,272
DEFERRED INCOME TAXES	1,778,442	1,620,417
Total liabilities	18,351,818	17,753,253
SHAREHOLDERS' EQUITY		
Common stock, $.10 par value; Authorized 20,000,000 shares; Issued and outstanding 8,354,316 shares at October 30, 1999 and 8,278,646 shares at July 31, 1999	835,433	827,866
Additional paid-in capital	51,058,863	50,798,502
Retained earnings	20,558,485	19,032,506
	72,452,781	70,658,874
Less common stock in treasury - 546,261 shares at October 30, 1999 and 490,393 shares at July 31, 1999	4,759,844	4,308,170
Total shareholders' equity	67,692,937	66,350,704
TOTAL	$86,044,755	$84,103,957

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended	
	October 30, 1999	October 31, 1998
NET SALES	$15,712,024	$14,809,666
COSTS AND EXPENSES:		
Cost of sales	9,310,733	8,679,168
Research and development	1,543,154	1,431,314
Selling, general and administrative	2,603,174	2,621,162
Interest expense - net	62,037	
		6,881
	13,519,098	12,738,525
INCOME BEFORE PROVISION FOR INCOME TAXES	2,192,926	2,071,141
PROVISION FOR INCOME TAXES	666,948	642,054
NET INCOME	$ 1,525,978	$ 1,429,087
NET INCOME PER COMMON SHARE AND COMMON SHARE EQUIVALENTS:		
BASIC	$ .20	$ .19
DILUTED	$ .19	$ .18
Weighted number of common shares outstanding	7,786,004	7,648,413
Weighted number of common shares and common share equivalents outstanding	8,171,777	8,142,557

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	October 30, 1999	October 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,525,978	$ 1,429,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	555,560	413,419
Amortization	187,462	157,944
Imputed interest	19,706	10,974
Deferred income tax provision	147,495	94,745
Tax benefit from exercise of stock options and warrants	188,849	18,019
Amortization of stock-based compensation	7,833	5,508
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	711,792	(869,725)
Increase in cost and estimated earnings in excess of billings on uncompleted contracts	(1,356,562)	(908,225)
Increase in inventory	(612,763)	(2,072,986)
Increase in prepaid and other current assets	(396,202)	(539,657)
Increase in other assets	(4,954)	(6,776)
(Decrease) increase in accounts payable - trade	(39,919)	1,170,993
Increase in accrued liabilities	85,072	145,842
Increase in deferred compensation liability	8,256	69,902
(Decrease) increase in income taxes payable	(109,557)	378,790
Net cash provided by (used in) operating activities	918,046	(502,146)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for fixed assets	(862,712)	(692,266)
Investment in marketable securities	153,482	(73,026)
Payments to former shareholders of subsidiary acquired	(17,707)	(29,796)
Net cash used in investing activities	(726,937)	(795,088)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from bank borrowing	514,358	498,737
Payment for repurchase of shares	(451,674)	(682,404)
Proceeds from exercise of stock options and warrants	71,247	42,548
Other	(19,669)	(5,784)
Net cash provided by (used in) financing activities	114,262	(146,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	305,371	(1,444,137)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	320,742	3,401,697
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 626,113	$ 1,957,560

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	October 30, 1999	October 31, 1998
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 6,359	$ 33,724
Income taxes paid	$ 482,440	$ 150,500

See notes to consolidated financial statements

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 30, 1999 and the results of its operations and its cash flows for the three months ended October 30, 1999 and October 31, 1998.

The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements as of July 31, 1999.

The consolidated financial statements should be read in conjunction with the notes to the financial statements as of July 31, 1999.

Certain reclassifications have been made in the prior period's financial statements to correspond to the current period's presentation.

NOTE 2 The results of operations for the three-month period ended October 30, 1999 are not necessarily indicative of the results to be expected for the full year.

NOTE 3 INVESTMENTS

Investments available-for-sale at October 30, 1999 and July 31, 1999 include $1,209,321and $1,201,065, respectively, for the Company's President's deferred compensation and certain key executives. At October 30, 1999 and July 31, 1999, $118,514 and $213,411, respectively, were classified as cash and $1,090,808 and $987,654, respectively, were recorded as investments. The liabilities of $1,209,321 and $1,201,065, 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 or key executives' deferred compensation. At October 30, 1999, the balance of investments available-for-sale of $48,562 are equity securities held by the Company for its own account. Realized and unrealized gains and losses on these securities for the period ended October 30, 1999 were not material and are recorded in the financial statements.

NOTE 4 PERCENTAGE OF COMPLETION ACCOUNTING

	October 30, 1999	July 31, 1999
Costs incurred on uncompleted contracts	$15,206,728	$15,012,158
Estimated earnings	9,906,018	9,329,220
	25,112,746	24,341,378
Less billings to date	17,353,652	17,938,846
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 7,759,094	$ 6,402,532

The backlog of unshipped contracts being accounted for under the percentage of completion method of accounting was approximately $4.7 million at October 30, 1999.

NOTE 5 INVENTORY

Inventory is stated at the 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 30, 1999	July 31, 1999
Finished goods	$ 7,820,260	$ 5,414,095
Work-in-process	17,246,575	14,814,766
Raw material and purchased parts	12,145,515	16,370,726
Total	$37,212,350	$36,599,587

NOTE 6 FIXED ASSETS

Fixed assets consist of the following:

	October 30, 1999	July 31, 1999
Land	$ 694,046	$ 694,046
Building	2,178,025	2,161,025
Machinery and equipment	16,520,067	15,967,619
Furniture and fixtures	2,021,237	1,914,396
Leasehold improvements	2,367,296	2,180,873
Transportation equipment	30,103	30,103
	23,810,774	22,948,062
Less accumulated depreciation and amortization	8,835,562	8,280,002
Net fixed assets	$14,975,212	$14,668,060

NOTE 7 SEGMENTS

The Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", during the fourth quarter of the year ended July 31, 1999. SFAS No. 131 establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial statements. It also establishes standards for related disclosures about products and services, major customers and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is comprised of the Chief Executive Officer and the senior executives of the Company's operating segments.

The Company has two reportable segments which are Medical Imaging Systems and Critical Electronic Subsystems. The Medical Imaging Systems Segment designs, manufactures and markets state-of-the-art, cost-effective medical imaging and diagnostic systems consisting of stationary and portable imaging systems, radiographic/fluoroscopic systems, mammography systems and a neo-natal imaging system. The Critical Electronic Subsystems Segment designs, manufactures and markets proprietary precision power conversion and noise suppression subsystems for medical as well as critical industrial applications.

Selected financial data of these segments is as follows:

	Medical Imaging Systems	Critical Electronic Subsystems	Total
For the Three Months Ended October 30, 1999:			
Net sales to external customers	$ 7,883,898	$ 7,828,126	$15,712,024
Income before provision for income taxes	$ 614,991	$ 1,577,935	$ 2,192,926
Segment assets	$ 11,817,441	$74,227,314	$86,044,755

	Medical Imaging Systems	Critical Electronic Subsystems	Total
For the Three Months Ended October 31, 1998:			
Net sales to external customers	$ 7,345,710	$ 7,463,956	$14,809,666
Income before provision for income taxes	$ 611,836	$ 1,459,305	$ 2,071,141
Segment assets	$ 8,210,220	$67,293,568	$75,503,788

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 five acquisitions in the past six 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; Gendex-Del (a manufacturer of medical imaging systems) in fiscal 1996; X-Ray Technologies, Inc. (a manufacturer of medical imaging systems) in fiscal 1998 and Acoma Medical Imaging Inc. (a designer and manufacturer of medical imaging systems) in fiscal 1999.

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 $14.4 million or 44% of total net sales in fiscal 1995 to approximately $49.2 million or 72% of total net sales in fiscal 1999.

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, the 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 October 30, 1999 were approximately $15.7 million as compared to approximately $14.8 million for the three months ended October 31, 1998, an increase of 6.1%. The increase is due to internal growth from existing operations.

Cost of sales, as a percentage of net sales for the three months ended October 30, 1999, was 59.3% compared to 58.6% for the prior corresponding period. This decrease in gross margins is due to the change in product mix in the period.

Research and development expenses increased to approximately $1.5 million for the three months ended October 30, 1999 from approximately $1.4 million for the three months ended October 31, 1998, an increase of 7.8%. 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 $2.6 million, or 16.6% of net sales, for the three months ended October 30, 1999 as compared to approximately $2.6 million, or 17.7% of net sales, for the same period in the prior year, a decrease of 0.7%.

Net interest expense was approximately $62,000 for the three months ended October 30, 1999 as compared to approximately $7,000 for the corresponding period in the prior year. This increase is due to higher levels of long-term debt for the quarter.

Income tax expense was 30.4% of pretax income for the three months ended October 30, 1999 and 31% for the three months ended October 31, 1998. 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 $1.5 million for the three months ended October 30, 1999, an increase of 6.8% from approximately $1.4 million for the prior corresponding period. Basic earnings per share at October 30, 1999 increased to $.20 from $.19 at October 31, 1998, an increase of 4.9%. Diluted earnings per share increased to $.19 at October 30, 1999 from $.18 at October 31, 1998, an increase of 6.4%. The weighted number of common shares outstanding increased to 7,786,004 at October 30, 1999 from 7,648,413 at October 31, 1998 and the number of common shares and common share equivalents outstanding increased to 8,171,777 at October 30, 1999 from 8,142,557 at October 31, 1998. The increase in net income for the three-month period ended October 30, 1999 is primarily due to higher sales.

The backlog of unshipped orders at October 30, 1999 was approximately $39 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 October 30, 1999 and July 31, 1999, the Company's working capital was approximately $49.3 million and $47.8 million, respectively. At such dates the Company had approximately $626,000 and $321,000, respectively, in cash and cash equivalents.

Trade receivables at October 30, 1999 decreased approximately $712,000 as compared to July 31, 1999, primarily due to lower revenue levels in the three-month period ended October 30, 1999 as compared to the three-month period ended July 31, 1999.

Cost and estimated earnings in excess of billings on uncompleted contracts increased to approximately $7.8 million at October 30, 1999 from approximately $6.4 million at July 31, 1999 due to additional work performed in the quarter on long-term contracts accounted for under the percentage of completion method of accounting.

Inventory at October 30, 1999 increased approximately $613,000 as compared to July 31, 1999 primarily because of additional production requirements of major medical OEM contracts.

Prepaid expenses and other current assets at October 30, 1999 increased approximately $360,000 as compared to July 31, 1999 due to additional prepaid expenses related to increased acquisition activity.

Credit Facility and Borrowing. At October 30, 1999 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 $12.7 million, after deducting outstanding letters of credit of approximately $15,000 and $8.6 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 $863,000 for capital equipment for the three-month period ended October 30, 1999.

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

Shareholders' Equity. Shareholders' equity increased to approximately $67.7 million at October 30, 1999 from approximately $66.4 million at July 31, 1999, primarily due to the results of operations. Additionally, during the period 75,670 stock options were exercised, with proceeds of $71,247 and 48,775 shares of common stock were repurchased at a cost of $383,192.

Year 2000. The Company has initiated a company-wide program and developed a formal plan to identify, evaluate and implement changes to products, computer systems, applications and infrastructure necessary to achieve a year 2000 date conversion with no effect on customers or disruption to business operations. These actions are necessary to ensure that all systems and business applications will recognize and process the year 2000 and beyond.

The Company uses purchased software programs for a variety of functions, including drafting and design, general accounting and manufacturing applications. Currently, all of the Company's products and software for design and drafting applications are fully compliant. The Company's systems for general accounting and manufacturing have been evaluated and steps to achieve compliance have been implemented and these systems are expected to be fully compliant. At this time, the Company believes that it does not have any internal mission-critical year 2000 issues that it cannot remedy.

As part of the year 2000 readiness process, significant customers, service providers, vendors and suppliers who are believed to be crucial to business operations after January 1, 2000 have been identified and steps have been taken to ascertain their state of readiness. All mission-critical third parties have indicated that they are or will be year 2000 compliant. The Company has surveyed them primarily through written correspondence. Despite its efforts to ascertain the readiness of its customers, suppliers and service providers, the Company cannot be certain as to the actual year 2000 readiness of these third parties or the impact their noncompliance may have on the Company's future financial position, the results of its operations or its cash flows.

With respect to the Company's internal year 2000 compliance, the Company has incurred internal staff costs, as well as consulting and other expenses and the total costs incurred for all year 2000 compliance related projects did not have a material effect on the Company's financial position, results of its operations or its cash flows.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

Disclosures about Derivative Instruments and Hedging Activities. In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 is effective for all fiscal years beginning after December 15, 1999. Management does not anticipate that this statement will have any affect on the Company's consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

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
Chief Financial Officer,
Vice President of Finance
and Secretary

Dated: December 9, 1999

EXHIBIT 11

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

COMPUTATION OF EARNINGS PER COMMON SHARE

THREE MONTHS ENDED October 30, 1999

	Net Income	Shares	Per Share Amount
Basic Earnings Per Share:			
Income available to common shareholders	$1,525,978	7,786,004	$.20
Effect of Dilutive Securities:			
Warrants		11,408	
Options		374,365	
Diluted Earnings Per Share	$ 1,525,978	8,171,777	$.19

ARTICLE 5

CIK: 0000027748

NAME: DEL GLOBAL TECHNOLOGIES CORP.

PERIOD TYPE	3 MOS
FISCAL YEAR END	JUL 29 2000
PERIOD START	AUG 01 1999
PERIOD END	OCT 30 1999
CASH	626,113
SECURITIES	1,139,370
RECEIVABLES	15,108,659
ALLOWANCES	196,018
INVENTORY	37,212,350
CURRENT ASSETS	63,225,634
PP&E	23,810,774
DEPRECIATION	8,835,562
TOTAL ASSETS	86,044,755
CURRENT LIABILITIES	13,921,039
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	835,433
OTHER SE	66,857,504
TOTAL LIABILITY AND EQUITY	86,044,755
SALES	15,712,024
TOTAL REVENUES	15,712,024
CGS	9,310,733
TOTAL COSTS	9,310,733
OTHER EXPENSES	4,146,328
LOSS PROVISION	0
INTEREST EXPENSE	62,037
INCOME PRETAX	2,192,926
INCOME TAX	666,948
INCOME CONTINUING	1,525,978
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1,525,978
EPS BASIC	.20
EPS DILUTED	.19

End of Filing