

DGT HOLDINGS CORP.

FORM 8-K (Current report filing)

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| 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 |

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) November 3, 2003

DEL GLOBAL TECHNOLOGIES CORP.

(Exact name of registrant as specified in charter)

| | | |
|--|--|---|
| New York ----- (State or other jurisdiction of incorporation) | 0-3319 ----- (Commission File Number) | 13-1784308 ----- (IRS Employer Identification No.) |
|--|--|---|

One Commerce Park, Valhalla, NY 10595

(Address of Principal Executive Offices) (Zip Code)

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

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

On November 3, 2003, the Registrant announced that its Medical Systems Group received (i) an \$8.5 million order from Instituto Mexicano del Seguro Social for 22 "Mercury" remote controlled digital Radiographic/Fluoroscopic imaging systems, and certain installation and training services, and (ii) a \$1.0 million order from the government of Vietnam to supply various radiographic and remote R/F systems. For additional information, reference is made to the press release which is attached hereto as Exhibit 99.01 and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) Financial Statements of Business Acquired.

Not Applicable.

(b) Pro Forma Financial Information.

Not Applicable.

(c) Exhibits.

99.01 Press Release dated November 3, 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On November 3, 2003, the Registrant announced operating results for the fiscal year ended August 2, 2003 and the last fiscal quarter of that fiscal year, as well as summary balance sheet data as of August 2, 2003. Such information, including the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing. For additional information, reference is made to the press release which is attached hereto as Exhibit 99.01 and is incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DEL GLOBAL TECHNOLOGIES CORP.

(Registrant)

Date November 3, 2003

By: /s/ Thomas V. Gilboy

Thomas V. Gilboy
Chief Financial Officer

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Exhibit No.

Description

99.01

Press Release dated November 3, 2003

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Exhibit 99.01

FOR IMMEDIATE RELEASE

DEL GLOBAL TECHNOLOGIES ANNOUNCES FISCAL 2003 OPERATING RESULTS
AND SUMMARY BALANCE SHEET DATA

VALHALLA, NY - November 3, 2003 -- Del Global Technologies Corp.

FY 2003 Highlights

- o Total Net Sales of \$98.6 Million Basically Unchanged from FY 2002
- o FY 2003 Consolidated Gross Margin Improves to 21% from 19% in FY 2002
- o FY 2003 and Q4 FY 2003 Operating Losses Narrow Significantly from Prior Year Periods
- o FY 2003 and Q4 FY 2003 Net Losses Increase Due Primarily to Write Down of Deferred Tax Assets
- o Company Receives \$8.5 Million Order for R/F Imaging Systems from Government of Mexico and \$1.0 Million Order From Government of Vietnam

DEL GLOBAL TECHNOLOGIES CORP. (DGTC) ("Del Global") today announced operating results for its Fiscal 2003 fourth quarter and fiscal year ended August 2, 2003, as well as summary balance sheet data as of August 2, 2003 (see attached tables).

Walter F. Schneider, President and Chief Executive Officer of Del Global, commented, "While annual sales were flat compared to last year, sales in the fourth quarter of Fiscal 2003 rebounded when compared to the immediately preceding third quarter. This sales recovery was evident in both the Medical Systems business and RFI Corporation ("RFI"), and was partially offset by decreases in the High Voltage business. Regarding the Medical Systems Group, during Fiscal 2003 we entered new markets, expanded our product portfolio and continued to integrate our worldwide business. On the Power Conversion side, we continued to focus on high growth markets, and accelerated our design-to-market cycle."

Thomas V. Gilboy, Chief Financial Officer, stated, "Each of the four quarters in Fiscal 2003 also produced sequential increases in consolidated gross margin percentages. This improvement is due, in part, to the positive impact of our previously announced restructuring initiatives and increased efficiencies resulting from more favorable materials costs."

FISCAL 2003 ANNUAL AND Q4 RESULTS

Consolidated net sales for Fiscal 2003 remained stable at \$98.6 million versus \$98.8 million last year. Medical Systems Group sales increased 2% to \$56.1 million from Fiscal 2002, due primarily to increased domestic sales and favorable exchange rates on international sales made in Euros. Excluding the approximately \$5.2 million favorable exchange rate effect, sales at the Medical Systems Group for Fiscal 2003 would have declined by approximately \$4.1 million

if the Euro exchange rate had been similar to last year's rate. Sales at the Power Conversion Group decreased 3% to \$42.5 million from last year, with the biggest declines caused by a previously announced shift to in-house production by a large customer and a decline in sales to the semiconductor capital equipment market. The decline in these customers and markets at the Power Conversion Group was offset by an \$8 million increase in high voltage EDS ("Explosive Detection Systems") sales. The discontinued business from that one large customer had produced lower margins, and was not consistent with Del Global's long-term strategy.

Sales in the fourth quarter of Fiscal 2003 declined to \$23.7 million from \$27.6 million in the same period last year, due primarily to the aforementioned shift by a large customer to in-house production and fewer shipments of EDS units in this year's fourth quarter. Fiscal 2003 fourth quarter sales increased 2.9% from the immediately preceding third quarter, reflecting a recovery in sales at the Medical Systems Group and RFI, partially offset by lower High Voltage sales.

Consolidated gross margin for Fiscal 2003 increased to 21% from 19% last year. Margins at the Power Conversion Group increased to 21% from 16% last year, due primarily to improved efficiencies resulting from more favorable materials costs, and the shift in sales mix in connection with the discontinued customer mentioned above. Gross margin at the Medical Systems Group remained stable at 22%, despite higher sales, due to the higher realized margins in Fiscal 2002 on sales of previously written-off product.

Consolidated gross margin in the Fiscal 2003 fourth quarter of 22% was similar to the 22% reported in the immediately preceding third quarter of Fiscal 2003. Margins at the Power Conversion Group in the fourth quarter of Fiscal 2003 increased to 26% from 22% in the third quarter of Fiscal 2003, reflecting favorable inventory adjustments and the reorganization cost savings. Margins at the Medical Systems Group in the fourth quarter of Fiscal 2003 declined to 20% versus the third quarter's 22%. In the Medical Systems Group in the fourth quarter, more favorable overhead absorption from higher sales was offset by a decline in labor and overhead costs being capitalized in inventory, because in our US operations we have been improving our inventory turns and operating with lower inventory balances.

Fiscal 2003 selling, general and administrative ("S,G&A") expenses included \$1.9 million in unusually high legal and accounting fees, and approximately \$1 million of costs (including legal costs) associated with the proxy contest. The majority of these proxy expenses were realized in the Fiscal 2003 fourth quarter. S,G & A expenses for Fiscal 2002 included approximately \$3.7 million in unusually high accounting fees. Excluding the unusually high legal fees and costs incurred in Fiscal 2003, S,G & A expenses increased by approximately \$1.5 million from Fiscal 2002.

The operating loss for Fiscal 2003 decreased to \$5.9 million from \$14.0 million last year. The Medical Systems Group reported an operating profit of \$1.0 million, while the Power Conversion Group reported an operating loss of \$2.5 million. The operating loss for Fiscal 2002 included \$7.7 million in litigation settlement costs versus \$2.1 million of such costs in Fiscal 2003, as well as higher facilities reorganization costs. The operating loss for the

fourth quarter of Fiscal 2003 narrowed significantly to \$796,000 from \$5.6 million in the same period last year. This is attributable to higher consolidated gross margin in the Fiscal 2003 fourth quarter, \$0 in litigation settlement costs versus \$735,000 in the prior year period and \$1.2 million in facilities reorganization costs in Fiscal 2002 fourth quarter versus just \$82,000 in the Fiscal 2003 period.

The net loss for Fiscal 2003 increased to \$15 million, or \$1.45 per diluted share, versus a net loss of \$12.0 million, or \$1.38 per diluted share, last year. The net loss for the fourth quarter of Fiscal 2003 decreased to \$4.3 million, or \$.41 per diluted share, versus a net loss of \$5.1 million, or \$.50 per diluted share, for the same period last year.

The net loss for the Fiscal 2003 year and fourth quarter included income tax provisions of \$8.2 million and \$3.3 million, respectively, versus income tax benefits of \$3.2 million and \$163,000 in the respective prior year periods. This increase reflects the establishment in Fiscal 2003 of approximately \$8 million in deferred tax asset valuation allowances, which included an additional allowance of \$3.3 million established in the Fiscal 2003 fourth quarter.

MEXICO AND VIETNAM CONTRACT AWARDS

Del Global also announced that its Medical Systems Group received an \$8.5 million order from Instituto Mexicano del Seguro Social ("I.M.S.S.") for 22 "Mercury" remote controlled digital Radiographic / Fluoroscopic ("R/F") imaging systems, and certain installation and training services. This \$8.5 million order is part of a \$9.8 million systems integration and service contract that was arranged by Del Global and its agent in Mexico, Suministro para uso Medico Y Hospitalario S.A. de C.V. ("SMH"). This agreement is Del Global's largest one-time award in Mexico.

I.M.S.S., part of the Government of Mexico, operates the majority of the country's hospital system and provides a variety of health care services to workers and their families, the sick, the invalid and elderly populations. This contract is part of a broad upgrade of diagnostic capabilities throughout Mexico's social security healthcare system.

The R/F systems will be manufactured in Milan at Del Global's 80%-owned subsidiary Villa Sistemi Medicali S.p.A. Del Global currently expects to have these systems delivered and installed during Fiscal 2004. The Mercury R/F imaging system allows users to perform a variety of radiological examinations, including: tomography; chest radiography; gastroenterology; gynecology; angiography; and fluoroscopy. The systems purchased under this agreement will be installed by SMH in twenty facilities throughout Mexico.

The Medical Systems Group also received a \$1.0 million order from the government of Vietnam to supply various radiographic and remote R/F systems. The systems are funded in part by the European Community Malaria project and are scheduled for delivery during Fiscal 2004. These systems will also be manufactured in Milan at the Villa Sistemi Medicali facility.

Mr. Schneider commented, "We believe that these agreements reflect the quality and reputation of our products, as well as our continued focus on increasing international sales. The scope of supply of these contracts is similar to recent projects that we have undertaken in other parts of the world.

We believe that these agreements demonstrate the synergies that we are creating within Del Global, as we were able to leverage Villa's product portfolio through

our global sales force."

LITIGATION UPDATE

The Company is continuing its discussions with the United States Department of Defense ("DoD") regarding a global settlement of the DoD's previously disclosed investigation into certain past business practices at RFI. As previously announced, Del Global recorded a charge of approximately \$2.3 million during the third quarter of Fiscal 2003, representing its estimate of the low end of a range of potential fines and restitution, plus estimated legal and professional fees. In October 2003, based on discussions with the U. S. Government, the Company was advised that the U.S. Government is currently seeking up to approximately \$5 million in the fines and restitution portion of any comprehensive settlement. The Company is continuing to negotiate with the U.S. Government regarding a comprehensive settlement, including the amount of such fines. There can be no assurance that such a settlement will be reached and, even if reached, that the ultimate fines and outcome of any settlement will not vary significantly from the Company's original estimate and expectations. In addition, such a settlement, even on the most favorable terms, may have a material adverse impact on the Company's financial condition, liquidity and operations.

Del Global is also in ongoing discussions with the Enforcement Division of the SEC to settle claims regarding an investigation commenced by the SEC on December 11, 2000 in connection with the restatement of previously issued financial statements filed by the Company's former management, specifically for the Fiscal years 1997 through the third quarter of Fiscal 2000. As previously announced, Del Global reached an agreement in principle with the SEC regarding this matter. The terms of the settlement include a penalty of up to \$400,000, and an injunction against future violations of the antifraud, periodic reporting, books and records and internal accounting control provisions of the federal securities law. The settlement is subject to, amongst other things, review by the Commission and court approval. Del Global recorded a charge of \$685,000 in the fourth quarter of its Fiscal 2002 year related to this matter, which included associated legal costs. If we are not able to reach an acceptable settlement with the SEC, we may incur substantial additional penalties and fines.

BACKLOG

Consolidated backlog at August 2, 2003 was \$26.3 million versus a backlog of approximately \$31.0 million at August 3, 2002. Backlog at the Power Conversion Group declined to \$17.7 million from \$23.7 million, due to higher EDS shipments from backlog in the beginning of Fiscal 2003. Backlog at the Medical Systems Group increased to \$8.6 million from \$7.6 million at August 3, 2002.

FINANCIAL CONDITION

Del Global's balance sheet at August 2, 2003 reflected working capital of \$13.6 million, shareholders' equity of \$23 million and a stated book value of \$2.22 per share. As of August 2, 2003, Del Global had approximately

\$3.8 million of borrowing available under its U.S. revolving credit facility. As of August 2, 2003, the Company was compliant with all of the covenants of this facility except for the tangible net worth covenant of its U.S. credit facility. In October 2003, Del Global obtained a waiver of non-compliance of this covenant and amended certain other covenants for future periods.

INVESTOR CONFERENCE CALL

Suzanne M. Hopgood, Walter F. Schneider and Thomas V. Gilboy will host a conference call on Wednesday, November 5, 2003 at 4:30 P.M. Eastern Time to discuss this news release. The telephone number to join this conference call is (973) 582-2783. A taped replay of the call will be available through 5:00 P.M. Eastern Time, Monday, November 10, 2003. Please dial (973) 341-3080 and enter the number 4275805 to hear the taped replay. In addition, the conference call will be broadcast live over the Internet via the Webcast section of Del Global's web site at www.delglobal.com. To listen to the live call on the Internet, go to the web site at least 15 minutes early to register, download and install any necessary software. If you are unable to participate in the live call, the conference call will be archived and can be accessed on Del Global's website for approximately five business days.

Del Global Technologies Corp. is primarily engaged in the design, manufacture and marketing of cost-effective medical imaging and diagnostic systems consisting of stationary and portable x-ray systems, radiographic/fluoroscopic systems, dental imaging systems and proprietary high-voltage power conversion subsystems for medical and other critical industrial applications. Industrial applications for which Del Global supplies power subsystems include airport explosives detection, analytical instrumentation, semiconductor capital equipment and energy exploration.

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. Del Global cautions that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict including, but not limited to, the ability of Del Global to implement its business plan, retention of management, changing industry and competitive conditions, obtaining anticipated operating efficiencies, securing necessary capital facilities, favorable determinations in various legal and regulatory matters, including a settlement of the Department of Defense investigation on terms that Del Global can afford and that does not include a debarment from doing business with the US Government, 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.

CONTACT:

Del Global Technologies Corp.
 Walter F. Schneider, President & Chief Executive Officer
 Thomas V. Gilboy, Chief Financial Officer
 (914) 686-3600

INVESTOR RELATIONS:

The Equity Group Inc.
 Devin Sullivan (212) 836-9608
 Adam Prior (212) 836-9606

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (dollars in thousands, except per share data)
 (unaudited)

| Three Months Ended | | Twelve Mont |
|--------------------|-----------|-------------|
| August 2, | August 3, | August 2, |
| 2003 | 2002 | 2003 |
| ---- | ---- | ---- |

| | | | |
|--|------------|------------|-------------|
| NET SALES | \$ 23,712 | \$ 27,564 | \$ 98,619 |
| COST OF SALES | 18,481 | 24,470 | 77,496 |
| | ----- | ----- | ----- |
| GROSS MARGIN | 5,231 | 3,094 | 21,123 |
| Selling, general and administrative | 5,475 | 5,780 | 21,933 |
| Research and development | 470 | 933 | 2,218 |
| Litigation settlement costs | - | 735 | 2,126 |
| Facilities reorganization costs | 82 | 1,215 | 788 |
| | ----- | ----- | ----- |
| Total operating expenses | 6,027 | 8,663 | 27,065 |
| | ----- | ----- | ----- |
| OPERATING LOSS | (796) | (5,570) | (5,942) |
| | ----- | ----- | ----- |
| Interest (expense) income, net | (360) | 140 | (1,388) |
| Other income | 196 | 78 | 633 |
| | ----- | ----- | ----- |
| LOSS BEFORE INCOME TAXES AND MINORITY INTEREST | (960) | (5,352) | (6,697) |
| | ----- | ----- | ----- |
| INCOME TAX PROVISION (BENEFIT) | 3,289 | (163) | 8,233 |
| | ----- | ----- | ----- |
| LOSS BEFORE MINORITY INTEREST | (4,249) | (5,189) | (14,930) |
| | ----- | ----- | ----- |
| MINORITY INTEREST | 9 | 35 | 115 |
| | ----- | ----- | ----- |
| NET LOSS | \$ (4,258) | \$ (5,154) | \$ (15,045) |
| | ===== | ===== | ===== |
| NET LOSS PER BASIC AND DILUTED SHARES | \$ (.41) | \$ (.50) | \$ (1.45) |
| | ===== | ===== | ===== |
| Weighted average number of common shares outstanding, basic and diluted | 10,333 | 10,348 | 10,341 |
| | ===== | ===== | ===== |

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)
(unaudited)

| | August 2, 2003 | August 3, 2002 |
|----------------|----------------|----------------|
| Current Assets | \$ 40,213 | \$ 49,374 |
| Total Assets | \$ 60,492 | \$ 77,697 |

| | | |
|---|-----------|-----------|
| Current Liabilities | \$ 26,615 | \$ 30,726 |
| Total Liabilities | \$ 36,260 | \$ 39,608 |
| Minority Interest | \$ 1,253 | \$ 948 |
| Shareholders' Equity | \$ 22,979 | \$ 37,141 |
| Common Shares Outstanding End of Period | 10,333 | 10,348 |
| Book Value Per Share | \$ 2.22 | \$ 3.59 |

End of Filing

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