

DGT HOLDINGS CORP.

FORM 8-K (Current report filing)

Filed 06/15/05 for the Period Ending 06/14/05

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, DC 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) June 14, 2005

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.)
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One Commerce Park, Valhalla, NY 10595

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (914) 686-3650

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On June 14, 2005, Del Global Technologies Corp., a New York corporation (the "Company"), announced its results for the fiscal 2005 third quarter and nine months. A copy of the press release is furnished as Exhibit 99.01 to this report.

The information furnished pursuant to this Current Report on Form

8-K, including the exhibit hereto, shall not be considered "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of such section, nor shall it be incorporated by reference into future filings by the Company under the Securities Act of 1933, as amended, or under the Securities Act of 1934, as amended, unless the Company expressly sets forth in such future filing that such information is to be considered "filed" or incorporated by reference therein.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

Exhibit No. -----	Exhibits -----
99.01	Press Release dated June 14, 2005.

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: June 15, 2005

By: /s/ Mark A. Koch

Mark A. Koch
Principal Accounting Officer and Treasurer

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.01	Press Release dated June 14, 2005

EXHIBIT 99.01

FOR IMMEDIATE RELEASE

DEL GLOBAL TECHNOLOGIES ANNOUNCES FISCAL 2005 THIRD QUARTER RESULTS

VALHALLA, NY - June 14, 2005 -- DEL GLOBAL TECHNOLOGIES CORP. (DGTC) ("Del Global" or "the Company") today announced operating results for its fiscal 2005 third quarter and nine months ended April 30, 2005, as well as summary balance sheet data (see attached tables). These results are for continuing operations and exclude the results of the Del High Voltage ("DHV") division, which was sold on October 1, 2004.

FISCAL 2005 THIRD QUARTER RESULTS

Consolidated net sales for the third quarter of fiscal 2005 were \$18.9 million versus the \$20.6 million in the same period last year.

Sales at the Medical Systems Group were \$15.4 million in the third quarter of fiscal 2005, as compared to \$17.4 million in the same period last year. Lower sales were attributable to decreased international shipments due to the strong euro causing pricing for international products to be less attractive in non-euro denominated markets, as well as lower domestic shipments. The Company is obtaining international certifications for certain of its domestically manufactured product in order to have U.S. dollar based offerings in these non-euro denominated economies. Fiscal 2005 third quarter sales at the Power Conversion Group ("RFI") increased to \$3.5 million from \$3.2 million in the same period one year ago, reflecting stronger government sales.

Consolidated gross margin improved to 25.4% in the fiscal 2005 third quarter from 24.4% in same period last year, led by significant gross margin improvement at RFI and offset by slightly lower gross margins at the Medical Systems Group. Improved gross margin at RFI was due to better procurement practices, lower materials costs as a percentage of sales and lower waste levels. Unfavorable product mix at the Medical Systems Group produced lower gross margin.

Selling, general and administrative expenses ("SG&A") during the third quarter of fiscal 2005 increased to \$4.9 million, or 25.8% of sales, from \$3.4 million, or 16.4% of sales, in last year's fiscal third quarter. While SG&A in the third quarter of fiscal 2005 benefited from head count reductions, these benefits were offset by the inclusion of approximately \$1.1 million in legal and professional expenses related to the previously disclosed strategic alternatives program, which program was terminated in March 2005.

The Medical Systems Group posted operating income of \$385,000 in the third quarter of fiscal 2005 as compared to operating income of \$1.6 million in the same period last year. This decline was attributable to lower overall sales, material costs related to digital products, engineering related to obtaining C.E. marking and selling commissions for international product. Operating income at RFI during the fiscal 2005 third quarter improved to \$697,000 from \$343,000 in the same period last year.

The loss from continuing operations for the third quarter of fiscal 2005 was \$1.0 million as compared to a loss from continuing operations of \$709,000 in the fiscal 2004 third quarter. The loss for the third quarter of fiscal 2005 included the aforementioned \$1.1 million in legal and professional expenses related to the strategic alternatives program. The loss for the third quarter of fiscal 2005 also included interest expense of \$297,000 versus interest expense of \$908,000 in the third quarter of fiscal 2004, and an income tax provision of \$248,000 as compared to an income tax provision of \$940,000 in the comparable prior year period.

The net loss for the third quarter of fiscal 2005 was \$1.0 million, or \$0.10 per diluted share, as compared to a net loss of \$289,000, or \$0.03 per diluted

share, in the same period last year. The aforementioned factors impacted the net loss for the third quarters of fiscal 2005 and fiscal 2004. Additionally, the net loss for the third quarter of fiscal 2004 included income from discontinued operations of \$420,000, or \$0.04 per diluted share, versus no such gain or loss in the fiscal 2005 third quarter.

Walter F. Schneider, President and Chief Executive Officer of Del Global commented, "We are taking steps to mitigate the impact of currency exchange rates at the Medical Systems Group. RFI, meanwhile, continues to generate increased sales and higher gross margin. The majority of the loss for the third quarter of fiscal 2005 was attributable to the costs and expenses incurred with the now terminated strategic alternatives plan; we do not expect to incur such expenses going forward. We are fully focused on advancing our stand alone operating strategy, and strengthening our operations through new products introductions, benchmark after-sales service and customer gains."

BACKLOG

Consolidated backlog at April 30, 2005 was \$16.6 million versus backlog at July 31, 2004 of approximately \$25.9 million. The backlog at RFI decreased \$1.2 million from levels at the beginning of the fiscal year while there was an \$8.0 million decrease in the backlog at the Medical Systems Group. Backlog at the Medical Systems Group reflects declines due to shipments in August and October 2004 of approximately \$6.8 million under a large international tender order, as well as a decrease in incoming order rates due to the strong euro, partially offset by an increase in backlog at the domestic operation due to strong bookings during the period. Substantially all of the backlog should result in shipments within the next 12 months.

FINANCIAL CONDITION

Del Global's balance sheet at April 30, 2005 reflected working capital of \$7.6 million, shareholders' equity of \$7.7 million and a stated book value of \$.73 per share. As of April 30, 2005, the Company had approximately \$900,000 of excess borrowing capacity under its domestic revolving line of credit.

During the third quarter of fiscal 2005, Del Global was in compliance with the various covenants of its domestic credit facility (the Facility"), with the exception of the fixed charge coverage ratio. On June 9, 2005 the Company and its lender signed the Ninth Amendment to the Facility. This Ninth Amendment waived the event of default arising from the Company's non-compliance with the fixed charge coverage ratio covenant. In addition the Ninth Amendment lowered the minimum availability covenant under the line from \$500,000 to \$250,000. Del Global intends to refinance the Facility and any related debt before the August 1, 2005 expiration. No assurance can be given that Del Global will be able to refinance the Facility on terms acceptable to Del Global or at all. The failure to refinance the Facility would have a material adverse effect on Del Global.

INVESTOR CONFERENCE CALL

James Henderson, Chairman of the Board, Walter F. Schneider, President and Chief Executive Officer, and Mark A. Koch, Principal Accounting Officer, will host a conference call on Wednesday, June 15, 2005 at 4:00 P.M. Eastern Time to discuss this news release. The telephone number to join this conference call is (888) 737-9832 (Domestic) or (706) 679-0770 (International). A taped replay of the call will be available through 5:00 P.M. Eastern Time on June 22, 2005. Please dial (800) 642-1687 (Domestic) or (706) 645-9291 (International) and enter the number 7120183 to listen to the replay. In addition, the conference call will be broadcast live over the Internet via the "Presentations and Webcasts" 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 audio 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.

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ABOUT DEL GLOBAL TECHNOLOGIES

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. Through its RFI subsidiary, Del Global manufactures electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and other commercial applications.

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. These statements 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 matters; market and operating risks from foreign currency exchange exposures; 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.

DEL GLOBAL TECHNOLOGIES CORP.
Walter F. Schneider, President & Chief
Executive Officer
Mark Koch, Principal Accounting Officer
(914) 686-3650

INVESTOR RELATIONS:
The Equity Group Inc.
Devin Sullivan (212) 836-9608
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DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months End	
	April 30, 2005	May 1, 2004	April 30, 2005	Ma 20
	----	----	----	--
NET SALES	\$ 18,892	\$ 20,610	\$ 64,259	\$ 64
COST OF SALES	14,091	15,590	47,937	49

GROSS MARGIN	4,801	5,020	16,322	15
Selling, general and administrative	4,874	3,375	12,546	11
Research and development	446	413	1,268	1
Litigation settlement costs	--	--	300	3
Total operating expenses	5,320	3,788	14,114	15
OPERATING INCOME (LOSS)	(519)	1,232	2,208	
Interest expense	(297)	(908)	(978)	(1)
Other income	46	46	34	
INCOME (LOSS) FROM CONTINUING OPERATION BEFORE INCOME TAXES AND MINORITY INTEREST	(770)	370	1,264	(2)
INCOME TAX PROVISION	248	940	1,557	8
LOSS FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	(1,018)	(570)	(293)	(10)
MINORITY INTEREST	13	139	322	
LOSS FROM CONTINUING OPERATIONS	(1,031)	(709)	(615)	(11)
Discontinued operations	--	420	199	(2)
NET LOSS	\$ (1,031)	\$ (289)	\$ (416)	\$ (13)
NET INCOME (LOSS) PER COMMON SHARE BASIC AND DILUTED				
Continued operations	\$ (0.10)	\$ (0.07)	\$ (0.06)	\$ (
Discontinued operations	\$ --	\$ 0.04	\$ 0.02	\$ (
Basic and diluted, net	\$ (0.10)	\$ (0.03)	\$ (0.04)	\$ (
Weighted average number of common shares outstanding:				
Basic and Diluted	10,517	10,333	10,449	10

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DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED SUMMARY BALANCE SHEETS
(Dollars in Thousands, except per share data)
(Unaudited)

April 30, 2005

July 31, 2004

Current Assets

\$ 29,415

\$ 38,214

Total Assets	\$	40,280	\$	49,261
Current Liabilities	\$	21,844	\$	30,450
Total Liabilities	\$	31,321	\$	40,097
Minority Interest in Subsidiary	\$	1,299	\$	1,389
Shareholders' Equity	\$	7,660	\$	7,775
Common Shares Outstanding End of Period		10,563		10,335
Book Value Per Share	\$	0.73	\$	0.75

End of Filing

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