

DGT HOLDINGS CORP.

FORM 8-K (Current report filing)

Filed 10/04/10 for the Period Ending 10/04/10

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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): October 4, 2010

DEL GLOBAL TECHNOLOGIES CORP.

(Exact name of registrant as specified in its charter)

| | | |
|---|-----------------------------|--------------------------------------|
| New York | 0-3319 | 13-1784308 |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |
| 100 Pine Aire Drive, Bay Shore, New York | | 11706 |
| (Address of principal executive offices) | | (Zip Code) |

Registrant's telephone number, including area code: (631) 231-6400

(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))
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Item 2.02 Results of Operations and Financial Condition.

On October 4, 2010, Del Global Technologies Corp., a New York corporation, (the “Company”), announced its results for the fiscal 2010 fourth quarter and year ended July 31, 2010.

A copy of the press release is furnished as Exhibit 99.1 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 liabilities of that 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.

(d) *Exhibits*

| <u>Exhibit No.</u> | <u>Exhibits</u> |
|--------------------|-----------------|
|--------------------|-----------------|

| | |
|------|--|
| 99.1 | Press Release dated October 4, 2010 (announcing fiscal 2010 fourth quarter and full year financial results). |
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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: October 4, 2010

By: /s/ Mark A. Zorko
Mark A. Zorko
Chief Financial Officer

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press Release dated October 4, 2010 (announcing fiscal 2010 fourth quarter and full year financial results). |



FOR IMMEDIATE RELEASE

**DEL GLOBAL TECHNOLOGIES REPORTS FISCAL 2010 FOURTH QUARTER AND
FULL YEAR FINANCIAL RESULTS**

Highlights

- FY 2010 sales increase to \$56.2 million from \$52.9 million
- FY 2010 continuing operations net income of \$2.3 million or \$0.10 per share increased from FY 2009's breakeven performance
- Q4 FY 2010 net income of \$1.2 million, or \$0.05 per share, on sales of \$13.4 million

Bay Shore, NY – October 4, 2010 ---- **Del Global Technologies Corp. (OTCBB: DGTC)** ("Del Global" or "the Company") today announced financial results for its fiscal 2010 fourth quarter and year ended July 31, 2010.

Consolidated net sales of \$13.4 million for the fiscal 2010 fourth quarter reflect an increase of \$2.2 million, or approximately 19.8% from fiscal 2009 fourth quarter net sales of \$11.2 million. The Medical Systems Group's fourth quarter fiscal 2010 sales of \$9.4 million were \$1.5 million, or 19.6%, higher than the prior year's fourth quarter. Sales at the Power Conversion Group during the fourth quarter of fiscal 2010 were \$4.0 million, approximately \$0.7 million, or 20.3%, higher than the prior year's fourth quarter sales, due to increased volume and in part to the timing of shipment approvals from our customers.

Consolidated gross margin as a percent of sales was 26.5% for the fourth quarter of fiscal 2010, compared to 27.5% in the fourth quarter of fiscal 2009. The Medical Systems Group fourth quarter of fiscal 2010 gross margin of 23.0% was higher than the gross margin of 17.6% in the fourth quarter of fiscal 2009 primarily due to increased volume. The Power Conversion Group's gross margin for the fourth quarter of fiscal 2010 was 34.6%, versus 51.1% in the prior year fourth quarter, attributable to an unfavorable sales mix and start up costs with a new customer program.

Operating expenses for the fourth quarter of fiscal 2010 were \$2.3 million, or 17.1% of total sales, compared to \$2.2 million, or 19.9% of total sales, in the prior year's fourth quarter.

Operating income for the fiscal 2010 fourth quarter was \$1.3 million, as compared to operating income of \$0.9 million in the fourth quarter of fiscal 2009. The Medical Systems Group generated an operating income of \$0.7 million in the fiscal 2010 fourth quarter compared to operating loss of \$0.1 million for the fourth quarter of fiscal 2009. The Power Conversion Group posted an operating profit of \$0.8 million in the fiscal 2010 fourth quarter as compared to \$1.2 million in the comparable period last year. Unallocated corporate expenses for the fourth quarter of fiscal 2010 totaled \$0.2 million approximately the same as in the prior year.

For the fourth quarter of fiscal 2010, the Company reported a net income of \$1.2 million, or \$0.05 per diluted share, compared to net loss of \$0.9 million, or \$0.04 per diluted share, in the fourth quarter of fiscal 2009.

FISCAL YEAR 2010 OVERVIEW

Consolidated net sales increased by 6.2% to \$56.2 million from \$52.9 million for fiscal year 2009, primarily the result of higher sales at the Medical Systems Group. Sales at the Medical Systems Group for fiscal year 2010 of \$43.7 million reflect an increase of \$2.8 million, or 6.8%, from the prior year, primarily due to a modest increase in customer demand. The Power Conversion Group's sales for fiscal year 2010 of \$12.5 million were \$0.5 more than prior year's sales.

Consolidated gross margin was 25.0% in fiscal 2010, compared to 25.8% in fiscal 2009. This reduction was due to unfavorable product mix, particularly at the Power Conversion Group.

The operating income for fiscal 2010 was \$3.4 million compared with operating income of \$1.0 million last year. The prior year operating income included \$2.5 million in litigation settlement costs.

The net loss for fiscal 2010 was \$0.8 million, or \$0.04 per diluted share based upon approximately 22.7 million shares outstanding, compared to net loss of \$4.1 million, or \$0.18 per diluted share, based upon approximately 22.7 million shares outstanding, in fiscal 2009.

BACKLOG

Consolidated backlog at July 31, 2010 increased by \$1.3 million to \$11.9 million from \$10.6 million at August 1, 2009. Backlog at the Medical Systems Group at July 31, 2010 totaled \$7.7 million, an increase of approximately \$1.6 million from August 1, 2009. Backlog at the Power Conversion Group totaled \$4.2 million at July 31, 2010, a decrease of \$0.3 million from levels at the beginning of the fiscal year. Substantially all of the backlog should result in shipments within the next 12 to 15 months.

FINANCIAL CONDITION

Del Global's balance sheet at July 31, 2010 reflected working capital of \$17.4 million, which included \$4.0 million of cash and cash equivalents. Cash net of debt, increased \$5.3 million for the full year. At the end of the fiscal 2010 fourth quarter, Del Global had outstanding borrowings of \$0.1 million under its Italian revolving credit facilities. In the aggregate, the Company had approximately \$9.1 million of borrowing availability under its Italian revolving credit facility. On September 1, 2010, the Company completed a mortgage financing on the Bay Shore, New York property for \$2.5 million at an annual rate of 4.9% payable over ten years.

COMMENTS

John J. Quicke, Del Global's President and Chief Executive Officer, commented, "We ended fiscal 2010 with sales and profitability improvements over the prior fiscal year as well as the completion of the Del Medical U.S. divestiture. Our balance sheet has been strengthened considerably. However, we are not satisfied with our current performance and are focused on accelerating our growth through strategy deployment initiatives, new product development and strategic acquisitions. While we acknowledge the challenges inherent in our industries and the general world wide economy we look forward to our future with confidence."

ABOUT DEL GLOBAL TECHNOLOGIES

Del Global Technologies Corp. is primarily engaged in the design, manufacture and marketing of high performance diagnostic imaging systems for medical and dental applications through the Del Medical Systems Group. Through its Milan, Italy based Villa Sistemi Medicali S.p.A. subsidiary, the Company offers a broad portfolio of general radiographic, radiographic/fluoroscopic, portable x-ray and digital radiographic systems to the global marketplace. Through the Power Conversion Group, Del Global manufactures proprietary high-voltage power conversion subsystems including 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. The Company's web site is www.delglobal.com.

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 introduce products as scheduled; obtaining necessary product certification; 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.

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DEL GLOBAL TECHNOLOGIES CORP.

John J. Quicke
Chief Executive Officer

Mark A. Zorko
Chief Financial Officer
(631) 231-6400 ext. 323

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|---|-----------------------|-------------------|------------------------|-------------------|
| | July 31, 2010 | August 1, 2009 | July 31, 2010 | August 1, 2009 |
| Net Sales | \$ 13,378 | \$ 11,168 | \$ 56,168 | \$ 52,885 |
| Cost of Sales | 9,840 | 8,092 | 42,118 | 39,239 |
| Gross Margin | 3,538 | 3,076 | 14,050 | 13,646 |
| Selling, General and Administrative | 1,800 | 1,682 | 8,577 | 8,078 |
| Research and Development | 487 | 539 | 2,054 | 1,992 |
| Litigation Settlement | - | - | - | 2,536 |
| Total Operating Expenses | 2,287 | 2,221 | 10,631 | 12,606 |
| Operating Income | 1,251 | 855 | 3,419 | 1,040 |
| Interest Expense, net | (24) | (102) | (418) | (294) |
| Other Income | 368 | 167 | 444 | 265 |
| Net Income from Continuing Operations Before Income Tax Provision | 1,595 | 920 | 3,445 | 1,011 |
| Income Tax Provision | 355 | 31 | 1,100 | 995 |
| Income from Continuing Operations | 1,240 | 889 | 2,345 | 16 |
| Discontinued Operations Loss, net of taxes | (47) | (1,793) | (3,157) | (4,144) |
| Net Income (Loss) | \$ 1,193 | \$ (904) | \$ (812) | \$ (4,128) |
| Net Income (Loss) Per Basic Share | \$ 0.05 | \$ (0.04) | \$ (0.04) | \$ (0.18) |
| Net Income (Loss) Per Diluted Share | \$ 0.05 | \$ (0.04) | \$ (0.04) | \$ (0.18) |
| Weighted Average Number of Common Shares Outstanding: | | | | |
| Basic | 22,718 | 22,718 | 22,718 | 23,286 |
| Diluted | 22,746 | 22,718 | 22,718 | 23,286 |

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
SELECTED BALANCE SHEET DATA

(In thousands)
(Unaudited)

| | <u>July 31, 2010</u> | <u>August 1, 2009</u> |
|---|--------------------------|---------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 3,987 | \$ 7,983 |
| Trade receivables, net | 12,925 | 18,043 |
| Inventories | 9,123 | 16,004 |
| Prepaid expenses and other current assets | 2,770 | 1,719 |
| Total current assets | <u>28,805</u> | <u>43,749</u> |
| NON-CURRENT ASSETS: | | |
| Property plant and equipment, net | 5,254 | 6,305 |
| Deferred income taxes | 415 | 611 |
| Goodwill | 4,526 | 4,526 |
| Other assets | 29 | 71 |
| Total non-current assets | <u>10,224</u> | <u>11,513</u> |
| TOTAL ASSETS | <u>\$ 39,029</u> | <u>\$ 55,262</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Revolving loan | \$ 135 | \$ 7,492 |
| Current portion of long-term debt | 1,973 | 1,653 |
| Accounts payable – trade | 5,643 | 7,304 |
| Accrued expenses | 3,643 | 5,239 |
| Total current liabilities | <u>11,394</u> | <u>21,688</u> |
| NON-CURRENT LIABILITIES: | | |
| Long-term debt, less current portion | 95 | 2,385 |
| Other long-term liabilities | 1,763 | 2,561 |
| Total non-current liabilities | <u>1,858</u> | <u>4,946</u> |
| Total liabilities | <u>13,252</u> | <u>26,634</u> |
| SHAREHOLDERS' EQUITY: | | |
| Total shareholders' equity | 25,777 | 28,628 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 39,029</u> | <u>\$ 55,262</u> |