FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-17** | Period of Report: **1994-01-29**
SEC Accession No. 0000205239-94-000009

(HTML Version on secdatabase.com)

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DATAPOINT CORP

CIK:**205239**| IRS No.: **741605174** | State of Incorp.:**DE** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **001-07636** | Film No.: **94516610**
SIC: **7373** Computer integrated systems design

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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

(Mark One)
[X] Quarterly Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934 For the quarterly period ended January 29, 1994
OR
[ ] Transition Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act Of 1934 For the transition period from _________ to _________

Commission file number 1-7636
DATAPOINT CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	74-1605174
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5-7 rue Montalivet 75008, Paris, France
8400 Datapoint Drive
San Antonio, Texas 78229-8500
(Address of principal executive offices and zip code)

(33-1) 40 07 37 37
(210) 593-7000
(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___.

As of February 5, 1994, 14,442,576 shares of Datapoint Corporation Common Stock were outstanding, exclusive of 6,548,641 shares held in Treasury.

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DATAPOINT CORPORATION AND SUBSIDIARIES

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Part I. Financial Information

Item 1. Financial Statements
CONSOLIDATED BALANCE SHEETS
Datapoint Corporation and Subsidiaries

<TABLE>
<CAPTION>
(In thousands, except share data) (Unaudited)

<S>	<C> January 29, 1994	<C> July 31, 1993
ASSETS		
Current assets:		
Cash and cash equivalents	$8,936	$22,452
Restricted cash and cash equivalents	3,573	4,459
Marketable securities, at market	1,175	789
Accounts receivable, net	53,474	45,090
Inventories	18,811	17,536
Prepaid expenses and other current assets	3,998	3,843
Total current assets	89,967	94,169
Fixed assets, net	27,494	27,950

Excess of cost of investment over net assets acquired, net	56,525	58,216
Other assets, net	23,170	21,940
	$197,156	$202,275

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Payable to banks	$17,513	$14,129
Current maturities of long-term debt	2,988	4,246
Accounts payable	19,357	15,914
Accrued expenses	23,270	26,683
Deferred revenue	15,371	12,579
Income taxes payable	622	1,208
Total current liabilities	79,121	74,759
Long-term debt, exclusive of current maturities	70,754	71,551
Other liabilities	8,693	8,944
Commitments and contingencies		
Stockholders' equity:		
Preferred stock of $1.00 par value. Shares authorized 10,000,000; shares issued and outstanding 1,784,456 (aggregate liquidation preference $35,689).	1,784	1,784
Common stock of $.25 par value. Shares authorized 40,000,000; shares issued of 20,991,217 in fiscal 1994 and 20,991,217 in fiscal 1993, including treasury shares of 6,548,744 and 6,637,065, respectively.	5,248	5,248
Other capital	212,599	212,599
Foreign currency translation adjustment	5,956	7,707
Retained deficit	(132,996)	(125,581)
Treasury stock, at cost	(54,003)	(54,736)
Total stockholders' equity	38,588	47,021
	$197,156	$202,275

<FN>
See accompanying notes to consolidated financial statements

</TABLE>

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CONSOLIDATED STATEMENTS OF OPERATIONS
Datapoint Corporation and Subsidiaries
(Unaudited)

<TABLE>
<CAPTION>

(In thousands, except share data)

<S>	<C> Three Months Ended January 29, 1994	<C> Three Months Ended January 30, 1993	<C> Six Months Ended January 29, 1994	<C> Six Months Ended January 30, 1993
Revenue:				
Sales	$23,306	$26,340	$42,635	$56,196
Service and other	21,480	27,956	43,799	58,643
Total revenue	44,786	54,296	86,434	114,839
Operating costs and expenses:				
Cost of sales	11,068	9,497	21,909	24,322
Cost of service and other	14,489	18,830	28,182	38,812
Research and development	1,542	2,052	3,258	4,014
Selling, general and administrative	15,703	18,772	31,392	39,518
Restructuring costs	-	1,455	-	1,644
Total operating costs and expenses	42,802	50,606	84,741	108,310
Operating income	1,984	3,690	1,693	6,529
Non-operating income (expense):				
Interest expense	(2,214)	(2,339)	(4,485)	(4,468)
Other, net	1,150	752	1,435	231
Income (loss) before income taxes and extraordinary credit	920	2,103	(1,357)	2,292
Income taxes	388	869	437	1,436
Income (loss) before extraordinary credit	532	1,234	(1,794)	856
Extraordinary credit:				
Utilization of tax loss carryforward	-	722	-	1,195
Net income (loss) before effect of change in accounting principle	$532	$1,956	$(1,794)	$2,051
Effect of change in accounting principle	-	-	1,340	-
Net income (loss)	$532	$1,956	$(454)	$2,051
Net income (loss) less preferred stock dividend	$86	$1,510	$(1,346)	$1,159
Net income (loss) per common share:				
Before extraordinary item and effect of change in accounting principle	$.01	$.06	$(.18)	$-
Extraordinary item	-	.05	-	.08
Effect of change in accounting principle	-	-	.09	-
Net income (loss)	$.01	$.11	$(.09)	$.08
Average common shares	14,434,696	13,931,360	14,407,684	13,911,563

<FN>
See accompanying notes to consolidated financial statement

</TABLE>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Datapoint Corporation and Subsidiaries
(Unaudited)

<TABLE>
<CAPTION>

<S>	(In Thousands) Six Months Ended January 29, 1994 <C>	January 30, 1993 <C>
Cash flow from operating activities:		
Net income (loss)	$(454)	$2,051
Adjustments to reconcile net income to net cash provided from operating activities:		
Losses incurred in lag month eliminated	(5,470)	-
Effect of change in accounting principle	(1,340)	-
Provision for unrealized losses (recoveries) on marketable securities	(386)	(117)
Depreciation and amortization	5,318	7,958
Provision for (gains) losses on accounts receivable	107	(391)
Realized gain on fixed assets fire settlement	(840)	(1,165)
Change in assets and liabilities:		
(Increase) decrease in receivables	(9,749)	6,998
(Increase) decrease in inventory	(1,566)	910
Increase (decrease) in accounts payable	3,769	(2,610)
Decrease in accrued expenses	(2,793)	(8,291)
Increase in other liabilities and deferred credits	2,380	1,104
Other, net	126	36
Net cash (used in) and provided from operating activities	(10,898)	6,483
Cash flow from investing activities:		
Proceeds from marketable securities	-	42
Payments for fixed assets	(4,890)	(4,971)
Proceeds from disposition of fixed assets	1,926	2,790
Investments in capitalized software and license fees	(192)	(1,575)
Other, net	(245)	230
Net cash used in investing activities	(3,401)	(3,484)
Cash flow from financing activities:		
Proceeds from borrowings	19,409	40,437
Payments on borrowings	(18,330)	(39,618)
Payments of dividends on preferred stock	(892)	(892)
Decrease in restricted cash for letters of credit	886	54
Other, net	133	162
Net cash provided from financing activities	1,206	143
Effect of foreign currency translation on cash	(424)	(240)
Net increase (decrease) in cash and cash equivalents	(13,517)	2,902
Cash and cash equivalents at beginning of year	22,452	20,021
Cash and cash equivalents at end of period	$8,935	$22,923
Cash payments (refunds) for:		
Interest	$4,161	$4,596
Income taxes, net	$580	$(38)

<FN>
See accompanying notes to consolidated financial statements.

</TABLE>

DATAPOINT CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. Preparation of Financial Statements

The consolidated financial statements included herein have been prepared by Datapoint Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with generally accepted accounting principles. In the opinion of management, the information furnished reflects all adjustments which are necessary for a fair statement of the results of the interim periods presented. All adjustments made in the interim statements are of a normal recurring nature.

It is recommended that these statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended July 31, 1993.

The results of operations for the three and six months ended January 29, 1994 are not necessarily indicative of the results to be expected for the full year.

2. Extraordinary Item

The utilization of post-acquisition net operating loss carryforwards of certain foreign subsidiaries resulted in extraordinary credits during the second quarter and first six months of fiscal 1993 of $0.7 million and $1.2 million, respectively.

3. Change in Accounting Principle

Effective August 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 requires that liabilities and receivables for future taxes be calculated using a balance sheet approach rather than the income statement approach. As a result, the Company recorded additional deferred income tax assets of $2,075, after a valuation allowance of $66,720, and increased deferred income tax liabilities by $735 which, in total, resulted in a $1,340 credit ($.09 per share) for the cumulative effect of the accounting change. Management believes that future taxable income of the

Company will more likely than not result in utilization of the net deferred tax asset at August 1, 1993. Such future income levels are not assured due to the nature of the Company's business which is generally characterized by rapidly changing technology and intense competition.

After adoption of SFAS 109, the primary components of the Company's deferred tax assets and liabilities as of August 1, 1993 were as follows:

Deferred tax assets:	
Property, plant and equipment	$3,445
Loss and credit carryforwards	58,731
Other	8,385
	70,561
Less: Valuation allowance	(66,720)
	3,841
Deferred tax liabilities:	
Accrued retirement costs	1,979
Other	1,065
	3,044
Net deferred tax assets	$797

4. Inventories

Inventories consist of:

	January 29, 1994	July 31, 1993
Raw materials	$5,442	$5,619
Work in process	3,355	2,041
Finished goods	10,014	9,876
	$18,811	$17,536

5. Commitments and Contingencies

The Company is a defendant in various lawsuits generally incidental to its business. The amounts sought by the plaintiffs in such cases are substantial and, if all such cases were decided adversely to the Company, the Company's aggregate liability might be material. However, the Company does not expect such an aggregate result based upon the limited number of such actions and an assessment that most such actions will be successfully defended. No provision has been made in the accompanying financial statements for any possible liability with respect to such lawsuits.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Years Referred to are Fiscal Years)

Results of Operations

The Company had operating income of $2.0 million and net income of $0.5 million for the second quarter of 1994. This compares with operating income of $3.7 million and net income of $2.0 million for the second quarter of 1993. The Company had operating income of $1.7 million and a net loss of $0.5 million for the first six months of 1994, compared with operating income of $6.5 million and net income of $2.1 million for the first six months of 1993. Operating income during the second quarter of 1994 included a partial fire insurance settlement gain of $1.7 million related to a fire in the second quarter in a leased warehouse facility in the Company's Belgian subsidiary. The $3.7 million of operating income in the second quarter of fiscal 1993 also included $2.8 million in gains on a fire insurance settlement related to a fire in the French subsidiary, and an additional $2.5 million for business interruption coverage.

The following is a summary of the Company's sources of revenue:

	Three Months Ended		Six Months Ended	
(In thousands)	01/29/94	01/30/93	01/29/94	01/30/93
Sales:				
U.S.	$1,490	$1,118	$3,811	$2,588
Foreign	21,816	25,222	38,824	53,608
	23,306	26,340	42,635	56,196
Service and other:				
U.S.	264	397	596	824
Foreign	21,216	27,559	43,203	57,819
	21,480	27,956	43,799	58,643
Total revenue	$44,786	$54,296	$86,434	$114,839

Revenue declined during the second quarter of 1994 $9.5 million, or 17.5%, and for the first six months of 1994 $28.4 million, or 24.7%, compared with the same periods of the prior year. These declines were partly due to a stronger U.S. dollar this year as compared to the same periods last year against the functional currencies of the Company's European subsidiaries. The strengthening of the U.S. dollar negatively impacted sales revenue for the second quarter and first six months by $2.0 million and $5.8 million, respectively, while service and other revenue were negatively impacted by $2.1 million and $7.2 million, respectively. In addition, revenue for the second quarter and first six months of 1993 included $2.2 million and $4.2 million, respectively, for the former Australian subsidiary which was subsequently sold at the end of the second quarter of 1993. Excluding these items, revenue declined for the second quarter and first six months by $3.2 million and $11.2 million; the Company attributes this to the weak economic environment in many of the European countries in which the Company does a preponderance of its business, primarily France, Sweden and Germany.

Gross profit margins for the second quarter and first six months of 1994 were

42.9% and 42.0%, respectively, compared with 47.7% and 45.0% for the same periods a year ago. Excluding the effect of the fires noted above which favorably impacted cost of sales, gross profit margins for the second quarter and first six months of 1994 would have been 39.1% and 40.1%, respectively, compared with 37.9% and 40.3% for the same periods of the prior year.

Operating expenses (Research and development plus Selling, general & administrative) during the second quarter and first six months of 1994 declined $3.6 million and $8.9 million, respectively, from the same periods a year ago. Excluding the effect of the stronger U.S. dollar, operating expenses declined $2.4 million or 11.4% and $5.6 million or 12.9% for the second quarter and first six months, respectively, attributable to significantly reduced costs of internal operations over the past year. Also included in operating costs and expenses during the second quarter and first six months of 1993 were restructuring charges of $1.5 million and $1.6 million, respectively, for the streamlining of selected operations.

Non-operating results for both the second quarter of 1994 and 1993 included fire settlement gains on fixed assets of $0.8 million and $1.2 million, respectively. Excluding the impact of the fire, and interest expense, the Company had non-operating income of $0.3 million and $0.6 million for the second quarter and first six months of 1994, respectively, compared with nonoperating losses of $0.4 million and $0.9 million for the same periods of the prior year. The non-operating losses during 1993 exceeded those of 1994 primarily due to the unfavorable impact of changes in foreign currency exchange rates on certain of the Company's intercompany receivables and payables.

Income tax expense for the second quarter and first six months of 1994 includes a $0.4 million tax effect related to the fire in the Belgian subsidiary.

In the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes." SFAS 109 requires that liabilities and receivables for future taxes be calculated using a balance sheet approach rather than the income statement approach. As a result, the Company recorded additional deferred income tax assets of $2.1 million, after a valuation allowance of $66.7 million, and increased deferred income tax liabilities by $0.7 million which, in total, resulted in a $1.3 million credit ($.09 per share) for the cumulative effect of the accounting change. The valuation allowance reflects the Company's assessment regarding the realizability of certain U.S. and non-U.S. deferred income tax assets. Management believes that future taxable income of the Company will more likely than not result in utilization of the net deferred tax asset at August 1, 1993. Such future income levels are not assured due to the nature of the Company's business which is generally characterized by rapidly changing technology and intense competition. The Company evaluates realizability of the deferred income tax assets on a quarterly basis.

Prior to 1994, the Company's foreign subsidiaries reported their results to the parent on a one-month lag which allowed more time to compile results but produced comparability problems in management accounting. Due to improved internal operations, the one-month lag became unnecessary and therefore was eliminated subsequent to 1993 and prior to 1994. As a result, the July 1993 results of operations for the Company's foreign subsidiaries was recorded to the retained deficit. This action resulted in a charge of $5.5 million being recorded against the retained deficit. The loss incurred in July 1993 resulted primarily from a low revenue level, which is usual for the month following the end of a fiscal year.

Financial Condition

During the first six months of 1994, the Company's cash and cash equivalents decreased $13.5 million due primarily to the use of cash in operations. The decrease in cash was the result of a succession of quarterly losses on weakening revenues, coupled with the investment in inventories and receivables which accompanied the increased business volume in the second quarter of 1994 versus the first quarter of this year. The Company is carefully managing its cash resources during this period, and is using increased bank borrowings and trade accounts payable as well as free cash reserves to finance the expansion of its business. Both bank debt and accounts payable rose substantially during the first six months of 1994, helping to finance the increase in inventory and receivables which accompanied the increased level of sales volume. The increase in receivables was primarily related to sale shipments near the end of the second quarter (after the Christmas holidays); the Company expects to collect these during the third quarter of 1994. Also, the Company paid cash dividends aggregating $0.9 million on the $1.00 preferred stock during the first six months of 1994.

As of January 29, 1994, the Company had restricted cash and cash equivalents of $3.6 million which was restricted primarily to cover various lines of credit, reflected as payables to banks, and for $1.1 million of guaranteed dividends on the $1.00 Preferred Stock, of which $0.5 million was no longer restricted as of February 15, 1994.

The Company has a secured credit facility ("Credit Facility") with The CIT Group, which consists of a term loan and a revolving loan. The borrowings outstanding under the Credit Facility, as of January 29, 1994, were $3.1 million. The Credit Facility expired March 7, 1994, but by joint agreement was extended to April 7, 1994, at which time, barring any further extension being agreed upon, the outstanding borrowings must be repaid in full. The Company intends to refinance this loan through The CIT Group, or another lender, or will use internal sources of liquidity to retire the Credit Facility.

The Company has an internal source of liquidity in an investment portfolio with a market value of $3.7 million. As of January 29, 1994, the portfolio consisted of $2.5 million of cash and $1.2 million of marketable securities.

Subsequent to January 29, 1994, the Company received $0.7 million in proceeds from its insurer related to the fire on November 19, 1993 at the leased facility in Brussels, Belgium, which was in addition to $0.7 million received during the second quarter of 1994. Negotiations are ongoing with the insurer regarding the remainder of the claim and the timing of payment of the balance due on the agreed portion. The Company anticipates receiving additional proceeds during the remainder of the third quarter of 1994, but notes that full settlement may not be achieved in this time frame.

PART II. OTHER INFORMATION

All information required by items in Part II is omitted because the items are inapplicable, the answer is negative or substantially the same information has been previously reported by the registrant.

SIGNATURE

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 thereunto duly authorized.

DATAPOINT CORPORATION
(Registrant)

Date: March 17, 1994 __ /s/ David G. Hargraves______
David G. Hargraves
Vice President and Chief Financial Officer
(Chief Accounting Officer)