

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

AEROFLEX INC

CIK: **2601** | IRS No.: **111974412** | State of Incorporation: **DE** | Fiscal Year End: **0630**
Type: **8-K** | Act: **34** | File No.: **001-08037** | Film No.: **04968209**
SIC: **3674** Semiconductors & related devices

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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): August 11, 2004

AEROFLEX INCORPORATED
(Exact Name of Registrant as Specified in Charter)

Delaware	000-02324	11-1974412
(State of Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

35 South Service Road, Plainview, New York	11803
(Address of Principal Executive Offices)	(Zip Code)

(516) 694-6700
(Registrant's telephone number, including area code)

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

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

99.1 Press release dated August 11, 2004 issued by Aeroflex Incorporated
("Registrant").

Item 12. Results of Operations and Financial Condition

On August 11, 2004, the Registrant issued a press release announcing the Registrant's financial results for the fourth fiscal quarter and year ended June 30, 2004. A copy of the Registrant's press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K is being furnished under Item 12 and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

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.

AEROFLEX INCORPORATED

By: /s/Michael Gorin

Name: Michael Gorin

Title: President

Dated: August 11, 2004

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION CONTACT:

Investor Inquiries:

Michael Gorin
Vice Chairman and Chief Financial Officer
(516) 694-6700

AEROFLEX INCORPORATED
REPORTS RECORD FOURTH QUARTER FISCAL 2004 OPERATING RESULTS

SALES INCREASED 74% FROM PRIOR YEAR AND 11% SEQUENTIALLY
TO A RECORD \$125.3 MILLION
PRO FORMA INCOME FROM CONTINUING OPERATIONS
OF \$10.4 MILLION OR \$.14 PER DILUTED SHARE
GAAP INCOME FROM CONTINUING OPERATIONS OF
\$9.0 MILLION OR \$.12 PER DILUTED SHARE

PLAINVIEW, NEW YORK, August 11, 2004 -- Aeroflex Incorporated (Nasdaq Symbol: ARXX), a leading designer, developer and manufacturer of automated testing solutions and microelectronics for the aerospace, defense and broadband communications markets, today announced operating results for its fourth quarter and year ended June 30, 2004.

Net sales from continuing operations for the fourth quarter ended June 30, 2004 were a record \$125.3 million, compared with \$72.2 million for the same period of last year, representing an increase of 74%. The Company reported income from continuing operations for the fourth quarter ended June 30, 2004 of \$9.0 million, or \$.12 per diluted share, versus income from continuing operations of \$3.9 million, or \$.06 per diluted share, in the same period of last year.

On a pro forma basis, for the quarter ended June 30, 2004, after tax income from continuing operations was \$10.4 million, or \$.14 per diluted share, excluding a pre-tax charge of \$2.3 million for amortization of acquired intangibles. On a pro forma basis, for the quarter ended June 30, 2003, after tax income from continuing operations was \$4.4 million, or \$.07 per diluted share, excluding a pre-tax charge of \$684,000 for amortization of acquired intangibles.

Net sales from continuing operations for the year ended June 30, 2004 were \$414.1 million, compared with \$265.8 million for the same period of last year, representing an increase of 56%. The Company reported income from continuing operations for the year ended June 30, 2004 of \$20.5 million, or \$.29 per diluted share, versus income from continuing operations of \$10.9 million, or \$.18 per diluted share, in the same period of last year.

On a pro forma basis, for the year ended June 30, 2004, after tax income from continuing operations was \$28.0 million, or \$.40 per diluted share, excluding pre-tax charges of

- o \$4.2 million for a write-off of in-process research and development related to the Company's acquisitions and
- o \$7.7 million for amortization of acquired intangibles.

On a pro forma basis, for the year ended June 30, 2003, after tax income from continuing operations was \$12.7 million, or \$.21 per diluted share, excluding a pre-tax charge of \$2.7 million for amortization of acquired intangibles.

The pro forma results are a supplement to financial statements based on GAAP. The Company uses pro forma information to evaluate its operating performance and believes this presentation provides investors with additional insight into its underlying operating results. A full reconciliation between the pro forma and GAAP results from continuing operations is included in the accompanying financial data.

"Fourth quarter results from continuing operations exceeded our expectations and reflect new records for net sales, gross margins and operating income," said Michael Gorin, Vice Chairman and Chief Financial Officer. "Sales reached a record \$125.3 million, an increase of 74% compared to last year's fourth quarter and a third to fourth quarter sequential increase of 11%. Sales are net of \$4.6 million related to our shock and vibration control device discontinued operation. Gross profit margins also set a new record of 47.8% of sales which represents a third to fourth quarter sequential increase of 66 basis points, aided primarily by a favorable product mix and higher factory utilization. Pro forma operating income expanded to a record 13.7% of sales, an improvement of 59 basis points over the third quarter. Our fiscal year 2004 acquisitions made solid contributions to our operating results.

"In June 2004, we announced the planned divestiture of our shock and vibration control device manufacturing subsidiary. The operating results of this operation and our thin film manufacturing operation have been reported as discontinued operations for all of the current and preceding fiscal periods."

First Quarter Fiscal 2005 Business Outlook

Our estimate of operating results for the September 2004 quarter is as follows:

- o Net sales are expected to be between \$113 and \$115 million, which excludes the sales of our discontinued shock and vibration control device operation.
- o Gross profit margins are expected to be approximately 46% of sales.
- o S,G&A costs are expected to be approximately 22% to 23% of sales.
- o R&D costs are anticipated to be approximately 13% to 13.5% of sales.
- o Amortization of acquired intangibles is expected to be approximately \$.02 per diluted share.
- o Using a share count of 76.5 million shares and an expected income tax rate of 37.5%, we anticipate pro forma earnings from continuing operations per diluted share of \$.10 or \$.11. Pro forma earnings exclude amortization of acquired intangibles. GAAP earnings per diluted share are anticipated to be \$.08 or \$.09.

Our conference call discussing fourth quarter results is scheduled for 9:00 a.m. (New York time) on August 12, 2004 and can be accessed by dialing 1-866-761-0749 in the United States and by dialing 617-614-2707 outside of the United States. The participant passcode is 76715020. There will be a replay of the conference call starting at approximately 11:00 a.m. (New York time) on August 12, 2004 and will be available for one week. The replay can be accessed by dialing 1-888-286-8010 within the United States and by dialing 617-801-6888 outside of the United States. The access code for both telephone numbers is 65693309. This call is being webcast by CCBN and can be accessed at Aeroflex's website at www.aeroflex.com. This webcast will be archived on that site for one year. In conjunction with this conference call, the Company has also posted on its website certain financial information on its fourth quarter results.

About Aeroflex

Aeroflex Incorporated is a global provider of high technology solutions to the aerospace, defense and broadband communications markets. The Company's diverse technologies allow it to design, develop, manufacture and market a broad range of test, measurement and microelectronic products. The Company's common stock trades on the Nasdaq National Market System under the symbol ARXX and is included in the S&P SmallCap 600 index. Additional information concerning Aeroflex Incorporated can be found on the Company's Web site: www.aeroflex.com.

All statements other than statements of historical fact included in this press release regarding Aeroflex's financial position, business outlook, business strategy and plans and objectives of its management for future operations are forward-looking statements. When used in this press release, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to Aeroflex or its management, identify forward-looking statements. Such forward-looking statements are based on the current beliefs of Aeroflex's management, as well as assumptions made by and information currently available to its management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to, competitive factors and pricing pressures, the divestiture of the thin film interconnect and shock and vibration control device manufacturing businesses, the integration of the business of each of MCE Technologies, Celerity Systems and the Racal Instruments Wireless Solutions Group with Aeroflex, changes in legal and regulatory requirements, technological change or difficulties, product development risks, commercialization difficulties and general economic conditions. Such statements reflect our current views with respect to the future and are subject to these and other risks, uncertainties and assumptions relating to Aeroflex's financial condition, results of operations, growth strategy and liquidity. Aeroflex does not undertake any obligation to update such forward-looking statements.

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AEROFLEX INCORPORATED
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

For the Quarter Ended (Unaudited)

	6/30/04	6/30/04	6/30/03	6/30/03
	-----	-----	-----	-----
	(GAAP)	(Pro forma)	(GAAP)	(Pro forma)
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 125,309	\$ 125,309	\$ 72,164	\$ 72,164
Cost of sales	65,425	65,425	41,867	41,867
	-----	-----	-----	-----
Gross profit	59,884	59,884	30,297	30,297
	-----	-----	-----	-----
Selling, general and administrative costs	27,794	27,794	16,063	16,063
Research and development costs	14,984	14,984	7,981	7,981
Amortization of acquired intangibles	2,282	-	684	-
	-----	-----	-----	-----
Total operating costs	45,060	42,778	24,728	24,044
	-----	-----	-----	-----
Operating income	14,824	17,106	5,569	6,253
	-----	-----	-----	-----
Other expense (income)				
Interest expense	328	328	295	295
Other expense (income)	(410)	(410)	(276)	(276)
	-----	-----	-----	-----
Total other expense (income)	(82)	(82)	19	19
	-----	-----	-----	-----
Income from continuing operations before income taxes	14,906	17,188	5,550	6,234
Provision for income taxes	5,933	6,780	1,670	1,876
	-----	-----	-----	-----
Income from continuing operations	8,973	10,408	3,880	4,358
Loss from discontinued operations, net of tax	(695)	(695)	(830)	(830)
	-----	-----	-----	-----
Net income	\$ 8,278	\$ 9,713	\$ 3,050	\$ 3,528
	=====	=====	=====	=====
Income per common share:				
Basic				
Continuing operations	\$.12	\$.14	\$.06	\$.07
Discontinued operations	(.01)	(.01)	(.01)	(.01)
	-----	-----	-----	-----
Net income	\$.11	\$.13	\$.05	\$.06
	=====	=====	=====	=====
Diluted				
Continuing operations	\$.12	\$.14	\$.06	\$.07
Discontinued operations	(.01)	(.01)	(.01)	(.01)
	-----	-----	-----	-----
Net income	\$.11	\$.13	\$.05	\$.06
	=====	=====	=====	=====
Weighted average number of shares outstanding - Basic	74,349	74,349	60,233	60,233
	=====	=====	=====	=====
- Diluted	76,658	76,658	60,795	60,795

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AEROFLEX INCORPORATED
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

For the Year Ended (Unaudited)

	6/30/04 ----- (GAAP)	6/30/04 ----- (Pro forma)	6/30/03 ----- (GAAP)	6/30/03 ----- (Pro forma)
<S>	<C>	<C>	<C>	<C>
Net sales	\$ 414,101	\$ 414,101	265,807	\$ 265,807
Cost of sales	221,409	221,409	157,720	157,720
	-----	-----	-----	-----
Gross profit	192,692	192,692	108,087	108,087
	-----	-----	-----	-----
Selling, general and administrative costs	94,735	94,735	58,949	58,949
Research and development costs	49,972	49,972	29,515	29,515
Amortization of acquired intangibles	7,730	-	2,721	-
Acquired in-process R&D	4,220	-	-	-
	-----	-----	-----	-----
Total operating costs	156,657	144,707	91,185	88,464
	-----	-----	-----	-----
Operating income	36,035	47,985	16,902	19,623
	-----	-----	-----	-----
Other expense (income)				
Interest expense	1,403	1,403	1,104	1,104
Other expense (income)	1,711	1,711	(459)	(459)
	-----	-----	-----	-----
Total other expense (income)	3,114	3,114	645	645
	-----	-----	-----	-----
Income from continuing operations before income taxes	32,921	44,871	16,257	18,978
Provision for income taxes	12,457	16,834	5,362	6,260
	-----	-----	-----	-----
Income from continuing operations	20,464	28,037	10,895	12,718
Loss from discontinued operations, net of tax	(8,317)	(8,317)	(4,499)	(4,499)
	-----	-----	-----	-----
Net income	\$ 12,147	\$ 19,720	\$ 6,396	\$ 8,219
	=====	=====	=====	=====

Net income per common share:

Basic				
Continuing operations	\$.30	\$.41	\$.18	\$.21
Discontinued operations	(.12)	(.12)	(.07)	(.07)
	-----	-----	-----	-----
Net income	\$.18	\$.29	\$.11	\$.14
	=====	=====	=====	=====
Diluted				
Continuing operations	\$.29	\$.40	\$.18	\$.21
Discontinued operations	(.12)	(.12)	(.07)	(.07)
	-----	-----	-----	-----
Net income	\$.17	\$.28	\$.11	\$.14
	=====	=====	=====	=====
Weighted average number of shares				
outstanding - Basic	67,917	67,917	60,193	60,193
	=====	=====	=====	=====
- Diluted	69,931	69,931	60,753	60,753
	=====	=====	=====	=====

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AEROFLEX INCORPORATED
AND SUBSIDIARIES
RECONCILIATION OF REPORTED GAAP RESULTS TO PRO FORMA

INCOME FROM CONTINUING OPERATIONS (Unaudited)

(In thousands, except per share data)

	For the Quarter Ended		For the Year Ended	
	6/30/04	6/30/03	6/30/04	6/30/03
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
GAAP income from continuing operations	\$ 8,973	\$ 3,880	\$ 20,464	\$ 10,895
Pro forma adjustments:				
Amortization of acquired intangible assets	2,282	684	7,730	2,721
Acquired in-process R&D	-	-	4,220	-
Income tax benefit	(847)	(206)	(4,377)	(898)
	-----	-----	-----	-----
Pro forma income from continuing operations	\$ 10,408	\$ 4,358	\$ 28,037	\$ 12,718
	=====	=====	=====	=====

Income per common share:

Basic				
GAAP income from				
continuing operations after tax	\$.12	\$.06	\$.30	\$.18
Pro forma adjustments, net of tax	.02	.01	.11	.03
	-----	-----	-----	-----
Pro forma income from				
continuing operations after tax	\$.14	\$.07	\$.41	\$.21
	=====	=====	=====	=====
Diluted				
GAAP income from				
continuing operations after tax	\$.12	\$.06	\$.29	\$.18
Pro forma adjustments, net of tax	.02	.01	.11	.03
	-----	-----	-----	-----
Pro forma income from				
continuing operations after tax	\$.14	\$.07	\$.40	\$.21
	=====	=====	=====	=====
Weighted average number of shares				
outstanding - Basic	74,349	60,233	67,917	60,193
	=====	=====	=====	=====
- Diluted	76,658	60,795	69,931	60,753
	=====	=====	=====	=====

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AEROFLEX INCORPORATED
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2004	June 30, 2003
	-----	-----
		(Unaudited)
		(In thousands)
ASSETS		

Current assets:		
Cash and cash equivalents	\$ 98,502	\$ 51,307
Accounts receivable, less allowance for doubtful accounts	97,031	60,881
Inventories	94,617	69,366
Deferred income taxes	18,021	13,509
Assets of discontinued operations	10,496	10,760
Prepaid expenses and other current assets	8,646	5,415
	-----	-----
Total current assets	327,313	211,238
Property, plant and equipment, net	74,372	56,005
Intangible assets with definite lives, net	40,602	12,980
Goodwill	89,636	20,343
Deferred income taxes	-	252

Assets of discontinued operations	7,338	18,314
Other assets	10,932	11,484
	-----	-----
Total assets	\$ 550,193	\$ 330,616
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 4,770	\$ 1,879
Accounts payable	25,293	19,154
Advance payments by customers	11,725	2,826
Income taxes payable	798	1,802
Liabilities of discontinued operations	4,573	4,108
Accrued payroll expenses	15,620	7,899
Accrued expenses and other current liabilities	28,266	12,014
	-----	-----
Total current liabilities	91,045	49,682
Long-term debt	5,505	7,391
Deferred income taxes	8,205	-
Liabilities of discontinued operations	3,613	3,722
Other long-term liabilities	14,728	11,406
	-----	-----
Total liabilities	123,096	72,201
	-----	-----
Stockholders' equity:		
Preferred Stock, par value \$.10 per share; authorized 1,000,000 shares:		
Series A Junior Participating Preferred Stock, par value \$.10 per share, authorized 110,000; none issued	-	-
Common Stock, par value \$.10 per share authorized 110,000,000 shares; issued 74,282,000 and 60,122,000 shares	7,428	6,012
Additional paid-in capital	370,491	222,943
Accumulated other comprehensive income	11,387	3,816
Retained earnings	37,805	25,658
	-----	-----
	427,111	258,429
Less: Treasury stock, at cost (4,000 shares)	14	14
	-----	-----
Total stockholders' equity	427,097	258,415
	-----	-----
Total liabilities and stockholders' equity	\$ 550,193	\$ 330,616
	=====	=====