FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-03-18** | Period of Report: **1994-01-31**
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FILER

LTX CORP

CIK:**357020**| IRS No.: **042594045** | State of Incorp.:**MA** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **000-10761** | Film No.: **94516659**
SIC: **3825** Instruments for meas & testing of electricity & elec signals

Mailing Address
LTX PARK AT UNIVERSITY AVENUE
WESTWOOD MA 02090

Business Address
LTX PARK AT UNIVERSITY AVE
WESTWOOD MA 02090
6174611000

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

For Quarter Ended January 31, 1994 Commission File Number 0-10761

LTX CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2594045
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

LTX Park at University Avenue, Westwood, Massachusetts 02090

(address of principal executive offices and zip code)

Registrant's telephone number, including area code (617) 461-1000

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 4, 1994
Common Stock, par value $0.05 per share	26,006,694

LTX CORPORATION

Index

LTX CORPORATION

CONSOLIDATED BALANCE SHEET

(Unaudited)
(In thousands, except share data)

<TABLE>
<CAPTION>

	January 31, 1994	July 31, 1993
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and equivalents	$13,344	$21,725
Accounts receivable, less allowances of $700 and $700	40,515	34,953
Inventories	50,761	45,180
Other current assets	4,280	4,116
Total current assets	108,900	105,974
Property and equipment, net	28,574	28,258
Other assets	4,664	4,025
	$142,138	$138,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term liabilities	$15,464	$10,047
Accounts payable	31,137	26,924
Accrued expenses and restructuring charges	24,205	8,708
Unearned service revenues	4,142	4,671
Total current liabilities	74,948	50,350
Long-term liabilities, less current portion	972	1,060
Convertible subordinated debentures	20,068	19,943
Deferred compensation	428	428
Stockholders' equity:		
Common stock, $0.05 par value	1,300	1,236
Additional paid-in capital	116,903	112,111
Accumulated deficit	(72,481)	(46,871)
Total stockholders' equity	45,722	66,476
	$142,138	$138,257

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

LTX CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	Three Months Ended January 31,		Six Months Ended January 31,	
	1994	1993	1994	1993
<S>	<C>	<C>	<C>	<C>
Net sales:				
Product	$32,911	$34,907	$75,377	$68,655
Service	5,208	4,399	9,906	8,742
Total net sales	38,119	39,306	85,283	77,397
Cost of sales:				
Product	23,982	22,482	53,257	45,439
Service	3,182	2,826	6,126	5,588
Provision for excess inventories	3,500	--	3,500	--
Total cost of sales	30,664	25,308	62,883	51,027
Gross profit	7,455	13,998	22,400	26,370
Engineering and product development expenses	5,092	4,821	10,133	9,754

Selling, general and administrative expenses	11,512	10,294	22,170	20,368
Restructuring charges	14,376	--	14,376	--
Loss from operations	(23,525)	(1,117)	(24,279)	(3,752)
Interest expense, net	900	985	1,751	1,939
Loss before income taxes and minority interest	(24,425)	(2,102)	(26,030)	(5,691)
Provision for income taxes	--	--	--	--
Loss before minority interest	(24,425)	(2,102)	(26,030)	(5,691)
Minority interest in net loss of subsidiary	420	447	420	1,207
Net loss	$(24,005)	$(1,655)	$(25,610)	$(4,484)
Primary and fully diluted net loss per share	$(0.96)	$(0.08)	$(1.03)	$(0.22)
Weighted average shares	25,060	20,114	24,933	20,104

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

LTX CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Six Months Ended January 31,	
	1994	1993
<S>	<C>	<C>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss	$(25,610)	$(4,484)
Add (deduct) non-cash items:		
Depreciation and amortization	4,462	4,672
Minority interest in subsidiary net loss	(420)	(1,207)
Original issue discount amortization	125	131
(Increase) decrease in:		
Accounts receivable	(5,562)	(73)
Inventories	(5,581)	1,334
Other current assets	(164)	491
Other assets	(219)	(1,301)
Increase (decrease) in:		
Accounts payable	4,213	4,173
Accrued expenses and restructuring charges	15,497	422
Unearned service revenues	(529)	(2,834)
Net cash provided by (used in) operating activities	(13,788)	1,324
CASH USED IN INVESTING ACTIVITIES:		
Expenditures for property and equipment, net	(7,619)	(2,093)
Net cash used in investing activities	(7,619)	(2,093)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Proceeds from sale of common stock	4,000	--
Proceeds from stock purchase and option plans	856	239
Increase in bank debt	5,417	3,655
Proceeds from sale and leaseback of equipment	2,841	--
Payments of long-term debt	(88)	(392)
Net cash provided by financing activities	13,026	3,502

Net increase (decrease) in cash and equivalents	(8,381)	2,733
Cash and equivalents at beginning of period	21,725	11,714
Cash and equivalents at end of period	$13,344	$14,447
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid during the period for:		
Interest	$1,988	$2,041
Income taxes	0	0

</TABLE>

See accompanying Notes to Consolidated Financial Statements.

LTX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. The accompanying financial statements have been prepared by the Company, without audit, and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Certain information and footnote disclosures normally included in the annual financial statements which are prepared in accordance with generally accepted accounting principles have been condensed or omitted. Accordingly, although the Company believes that the disclosures are adequate to make the information presented not misleading, the financial statements should be read in conjunction with the footnotes contained in the Company's Annual Report on Form 10-K.

2. Revenues from product sales are recognized at the time units are shipped. Service revenues are recognized over the applicable contractual periods or as services are performed. Revenues from engineering contracts are recognized over the contract period on a percentage of completion basis.

3. Inventories are stated at the lower of cost (first-in, first-out) or market and include material, labor and manufacturing overhead. Inventories consisted of the following at:

<TABLE>
<CAPTION>

<S>	January 31, 1994 <C>	July 31, 1993 <C>
	(In thousands)	
Raw materials	$11,738	$11,694
Work-in-process	25,526	23,859
Finished goods	13,497	9,627
	$50,761	$45,180

</TABLE>

4. Interest expense and income were as follows:

<TABLE>
<CAPTION>

	Three Months Ended January 31,		Six Months Ended January 31,	
<S>	1994 <C>	1993 <C>	1994 <C>	1993 <C>
	(In thousands)			
Expense	$1,033	$1,048	$1,988	$2,036
Income	(133)	(63)	(237)	(97)
Interest expense, net	$900	$985	$1,751	$1,939

</TABLE>

5. Net loss per share is based on the weighted average number of shares of common stock outstanding.

7

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<TABLE>

The following table sets forth for the periods indicated the principal items included in the Consolidated Statement of Operations as percentages of total revenues.

<CAPTION>

	Percentage of Net Sales				Percentage Increase/(Decrease)	
	Three Months Ended January 31,		Six Months Ended January 31,		Three Months 1994 Over 1993	Six Months 1994 Over 1993
	1994	1993	1994	1993		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales:						
Product	86.3 %	88.8 %	88.4 %	88.7 %	(5.7)%	9.8 %
Service	13.7	11.2	11.6	11.3	18.4	13.3
Total sales	100.0	100.0	100.0	100.0	(3.0)	10.2
Cost of sales:						
Product	62.9	57.2	62.5	58.7	6.7	17.2
Service	8.3	7.2	7.2	7.2	12.6	9.6
Provision for excess inventories	9.2	--	4.0	--	N/M	N/M
Total cost of sales	80.4	64.4	73.7	65.9	21.2	23.2
Gross profit	19.6	35.6	26.3	34.1	(46.7)	(15.1)
Engineering and product development expenses	13.4	12.2	11.9	12.6	5.6	3.9
Selling, general and administrative expenses	30.2	26.2	26.0	26.3	11.8	8.8
Restructuring charges	37.7	--	16.9	--	N/M	N/M
Loss from operations	(61.7)	(2.8)	(28.5)	(4.8)	N/M	N/M
Interest expense, net	2.4	2.5	2.0	2.5	(8.6)	(9.7)
Loss before income taxes and minority interest	(64.1)	(5.3)	(30.5)	(7.3)	N/M	N/M
Provision for income taxes	--	--	--	--		
Loss before minority interest	(64.1)	(5.3)	(30.5)	(7.3)	N/M	N/M
Minority interest in net loss of subsidiary	1.1	1.1	0.5	1.5	(6.0)	(65.2)
Net loss	(63.0)%	(4.2)%	(30.0)%	(5.8)%	N/M	N/M

</TABLE>

8

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

In the second quarter of fiscal 1994, the Company was adversely affected by a short-fall in orders for its digital product line, particularly from domestic customers. Revenues declined from $47.2 million in the first quarter of the fiscal year to $38.1 million in the current period due to this short-fall, in combination with the low level of shippable backlog at the beginning of the period.

Although sales of digital test systems in the Pacific Rim and Japan were satisfactory, the Company's digital business was well below expectations and declined significantly from the first quarter level. However in the other product segments the Company experienced good growth. Synchro mixed signal system sales posted strong gains and service revenues continued to expand as a result of the increasing level of service contracts on the Company's installed base of equipment. Nevertheless, these improvements were not sufficient to offset the decline in digital systems sales. On a year-to-year basis, net sales of $38.1 million were 3% lower than the same period of the prior year. For the six month period, net sales were 10% higher in the current year as compared to the same period of the prior year.

The gross profit margin was 28.7% of net sales in the current quarter, before a provision for excess inventories of $3.5 million, compared to 35.6% in the same quarter of the prior year. The Company's gross profit margin was adversely affected by the continuing lower average selling prices for its digital products and by proportionately higher fixed costs on the lower shipment levels.

In February, the Company announced that Graham Miller resigned as President of LTX. He will continue as the Chairman of the Board of Directors of the Company. The Board of Directors formed an Office of the Presidents and elected Roger Blethen and Martin Francis as Presidents of LTX. This change in management structure was made to decentralize management and profitability responsibilities.

In early March, the Company announced a major restructuring to properly size operations to its current level of business. The restructuring consists of a planned consolidation of facilities, primarily involving the Company's leased buidings in Westwood, Massachusetts, and a workforce reduction of 100 employees. As a result of these decisions, the Company took a $14.4 million restructuring charge to its second quarter results of operations. The restructuring charge largely relates to the Company's plan to eliminate excess leased facilities and included amounts for severance payments and out placement benefits for terminated employees. In addition, the Company took a $3.5 million provision for excess inventories in the second quarter. The increase in excess inventories was primarily a result of the lower than anticipated shipment levels in the first half of fiscal 1994.

Operating expenses in the second quarter were $1.5 million higher than in the same quarter of the prior year. The increase in engineering and product development expenses of $0.3 million year-to-year relate to the Company's continuing investment in the development of a new generation of digital test systems and enhancements to its Synchro product line. Selling, general and administrative expenses rose $1.2 million year-to-year largely as a result of higher selling costs, including travel and trade show expenses, as well as salary increases and personnel additions.

Interest expense was lower year-to-year as a result of the conversion to common stock of the Company's 10 1/2% Convertible Subordinated Debentures Due 2010 in July 1993. This savings was partially offset by an increase in interest expense on higher average bank borrowings in the period.

The Company's Japanese subsidiary operated at a net loss in the second quarter of the fiscal year. The minority interest in net loss of subsidiary represents the minority partner's share of the Company's Japanese subsidiary's loss in the period.

There was no tax provision in the second quarter due to the net loss. The Company is in a net operating loss carry-forward position in most tax jurisdictions.

The Company reported a net loss of $24.0 million in the second quarter of fiscal 1994. The net loss for the quarter included the restructuring charge of $14.4 million and a provision for excess inventories of $3.5 million.

With the restructuring announced in March, the Company's level of quarterly operating expenses has been lowered by approximately 15%. The Company is continuing to review additional options to further reduce operating expences. In the near term, the Company will still be dependent on a relatively high level of business that can be delivered within the quarter to be able to improve its results of operations.

Liquidity and Capital Resources

The Company increased its cash position by $6.0 million in the second quarter. This increase was largely a result of the $4.0 million sale of 970,000 shares of common stock in the latter part of January. Accounts receivable fell by $7.4 million primarily as a result of lower than anticipated revenue levels. Inventories rose by $4.6 million in the second quarter, excluding the provision for excess inventories. Capital equipment additions of $2.9 million exceeded depreciation charges of $2.3 million. The Company financed $1.7 million of the equipment additions in the period through sale and leaseback arrangements. Accounts payable rose to $31.1 million at the end of the period.

The Company did not expand its domestic bank line during the second quarter as originally anticipated, but, alternatively, factored certain receivables with its domestic bank during the period to help meet working capital requirements. The Company recieved a waver of default from its domestic bank relating to the first quarter results of operations.

As of January 31, 1994, the Company had $4.1 million in borrowings outstanding under its domestic bank line and $11.3 million in borrowings outstanding under its Japanese bank lines. As a result of the loss in the second quarter, the Company is in default of its financial covenants under its domestic bank line. The Company is currently negotiating with its bank to recieve a waver of default and to restructure the agreement.

The Company plans to reduce its cash requirements for the balance of the fiscal year by reducing working capital requirements and minimizing capital expenditures. However, the Company expects to reduce its borrowing level by $4.8 million during the third quarter with one of its Japanese banks.

The Company's ability to fund working capital requirements, capital expenditures and reduce existing Japanese bank line balances will depend on the continued availability of credit lines or future debt or equity financings. There can be no assurance that the Company will be able to abtain such funding as and when required.

PART II -- OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Company held its Annual Meeting of Stockholders on December 14, 1993.

(b) Stockholders elected Messrs. Graham C.C. Miller and Robert E. Moore as Class I Directors to serve a three year term.

(c) Other matters voted upon and the results of the voting were as follows:

(1) Stockholders voted 20,734,064 shares FOR; 1,894,655 shares AGAINST; 159,306 shares ABSTAINED and 2,105,287 shares did note vote to increase the Company's authorized common stock, $0.05 par value per share, from 50,000,000 shares to 100,000,000 shares.

(2) Stockholders voted 18,967,585 shares FOR; 3,612,350 shares AGAINST; 208,090 shares ABSTAINED and 2,105,287 shares did not vote to increase the number of shares subject to the 1990 Incentive Stock Option Plan from 1,000,000 shares to 1,500,000 shares.

(3) Stockholders voted 18,346,273 shares FOR; 4,175,757 shares AGAINST; 265,995 shares ABSTAINED and 2,105,287 shares did not vote to increase the number of shares issuable to members of the Company's Board of Directors who are not employees of the Company.

(4) Stockholders voted 20,025,191 shares FOR; 2,568,303 shares AGAINST; 194,531 shares ABSTAINED and 2,105,287 shares did not vote to approve the 1993 Employees' Stock Purchase Plan.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

(1) Proxy Statement dated November 19, 1993 (incorporated herein by reference to the Company's definitive Proxy material filed pursuant to Section 14(a) of the Security Exchange Act of 1934 on November 19, 1993).

(b) There were no reports on Form 8-K filed during the three months ended January 31, 1994.

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 thereunto duly authorized.

LTX Corporation

Date: March 17, 1994 By: /s/ Roger W. Blethen

Roger W. Blethen
President

Date: By:

Martin S. Francis
President

Date: March 17, 1994 By: /s/ John J. Arcari

John J. Arcari
Treasurer
Chief Financial Officer
(Principal Financial Officer)

Date: March 17, 1994 By: /s/ Glenn W. Meloni

Glenn W. Meloni
Controller
(Principal Accounting Officer)