

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

MAGAL SECURITY SYSTEMS LTD

Form 6-K

July 30, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of July 2008

MAGAL SECURITY SYSTEMS LTD.
(Name of Registrant)

P.O. Box 70, Industrial Zone, Yahud 56100 Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- _____

This Report on Form 6-K is incorporated by reference into the Registrant's Form F-3 Registration Statements File Nos. 333-9050 and 333-123265 and Form S-8 Registration Statement File No. 333-06246.

Magal Security Systems Ltd.

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

6-K Items

1. Press Release re Magal Reports Second Quarter 2008 Revenues of \$25 Million Representing a 78% Year-Over-Year Increase dated July 30, 2008.

ITEM 1

Press Release

Source: Magal Security Systems Ltd

Magal Reports Second Quarter 2008 Revenues of \$25 Million Representing a 78% Year-Over-Year Increase

Wednesday July 30, 6:30 am ET

Net Income on a Non-GAAP Basis for the Second Quarter Increases 108% Year-Over-Year to \$0.9 Million

YAHUD, Israel, July 30 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq GM: MAGS; TASE: MAGS) today announced its consolidated financial results for the three and six month periods ended June 30, 2008.

Second Quarter 2008 Results

Revenues for the second quarter of 2008 increased 77.6% reaching US\$25.0 million, compared to US\$14.1 million in the second quarter of 2007. Effective September 1, 2007, Magal's financial statements consolidate the results of a European integration company acquired in August 2007. Following the sale in December 2007 of Magal's U.S. based video monitoring business operated by Smart Interactive Systems Inc., the results of this business were reclassified as discontinued operations.

Gross profit for the second quarter of 2008 increased by 47.6%, reaching US\$9.5 million (38.0% of revenues) compared with \$6.4 million (45.7% of revenues) in the second quarter of 2007. Gross margin for the quarter was adversely affected by the ongoing weakening of the US dollar against the Israeli Shekel as well as the shift in revenue mix towards larger scale integration projects.

Operating expenses on a GAAP basis in the second quarter of 2008 were US\$8.7 million or 34.7% of sales, compared to US\$5.6 million or 39.6% of revenues on a non-GAAP and GAAP basis in the second quarter 2007. Operating expenses on a non-GAAP basis, for the second quarter of 2008, totalled US\$7.6 million or 30.2% of revenues.

The operating expenses for the quarter, on a GAAP basis, included a US\$1.1 million amortization of intangible assets relating to a recently acquired European subsidiary. Operating expenses for the quarter were also adversely affected by the devaluation of the US dollar against the Israeli Shekel and the Canadian Dollar, increasing operating expenses by approximately US\$0.7 million

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

for the quarter compared with the second quarter of 2007.

Operating income on a GAAP basis for the second quarter of 2008 decreased 4.4% reaching US\$0.8 million (3.3% of revenues) compared to US\$0.9 million (6.1% of revenues) in the second quarter of 2007 on a GAAP and non-GAAP basis. Operating income on a non-GAAP basis for the second quarter of 2008 increased 125.4% reaching US\$1.9 million (7.7% of revenues).

Net income on a GAAP basis for the second quarter of 2008 reached US\$0.1 million compared with net income of \$0.3 million in the second quarter 2007. Diluted earnings per share on a GAAP basis in the second quarter of 2008 was \$0.01 compared to \$0.03 in the second quarter of 2007.

Net income on a non-GAAP basis, totalled US\$0.9 million, compared with non-GAAP net income of US\$0.4 million in the second quarter of 2007. Diluted non-GAAP earnings per share for the second quarter totalled US\$0.09 compared to non-GAAP diluted earnings per share of US\$0.04 in the same quarter of last year.

"We are particularly encouraged by our strong revenue growth over last year and our improved non-GAAP operating profitability this quarter," commented Izhar Dekel, CEO of Magal. "This year is shaping up as an exceptionally strong year in terms of revenue growth, which increases our confidence in realizing our target of doubling revenues within the next four to five years. We are also encouraged by our operating margin improvement which represents the initial fruits of our efforts to focus on increasing profitability. At the same time, we are successfully executing on our strategy of becoming a more project focused company, winning a number of high profile projects."

Continued Mr. Dekel, "Over the past year, we have won a number of orders for municipal security systems based on our Fortis system, which is becoming a growth engine and strong revenue generator for Magal. While the majority of our project wins have to date been for municipalities in Israel and there still remains significant potential within Israel, we see far greater prospects for this system outside of Israel. We have already won some international orders based on our local success and we are competing in a number of other international tenders at magnitudes greater than what we have seen so far."

Use of Non-GAAP Financial Information

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which the Company believes are the principal indicators of the operating and financial performance of its business. The non-GAAP financial measures exclude the effects of stock-based compensation charges recorded in accordance with SFAS 123R as well as amortization of customer related intangible assets and a loss associated with a discontinued operation. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of the Company's on-going core operations and prospects for the future, as the charges eliminated are not part of the day-to-day business or reflective of the core operational activities of the Company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting future results and evaluating the Company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.

Results Conference Call

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

The Company will be hosting its quarterly conference call later today at 9:00am ET. On the call, management will review and discuss the second quarter 2008 results. They will then be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: +1-866-345-5855

Israel Dial-in Number: 03-918-0688

International Dial-in Number: +972-3-918-0688

at: 9:00 am Eastern Time; 6:00 am Pacific
Daylight Time; 4:00 pm Israel Time

A replay of the call will be available for three months from the day after the call. The webcast and the replay will both be accessible from Magal's website at: <http://www.magal-ssl.com>.

About Magal Security Systems, Ltd.

Magal Security Systems Ltd. (Magal) is engaged in the development, manufacturing and marketing of computerized security systems, which automatically detect, locate and identify the nature of unauthorized intrusions. The Company's products are currently used in more than 70 countries worldwide to protect national borders, airports, correctional facilities, nuclear power stations and other sensitive facilities from terrorism, theft and other threats.

Magal trades under the symbol MAGS in the U.S. on the Nasdaq Global Market and in Israel on the Tel-Aviv Stock Exchange (TASE).

This press release contains forward-looking statements, which are subject to risks and uncertainties. Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and otherwise, may differ from the results discussed in the forward-looking statements. A number of these risks and other factors that might cause differences, some of which could be material, along with additional discussion of forward-looking statements, are set forth in the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(All numbers except EPS expressed in
thousands of US\$)

	Six Months Ended			Three months Ended		
	June 30,			June 30,		
	2008	2007	% change	2008	2007	% change
Revenues	51,311	28,204	81.9	25,021	14,091	77.6

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Cost of revenues	32,122	15,382	108.8	15,514	7,650	102.8
Gross profit	19,189	12,822	49.7	9,507	6,441	47.6
Operating expenses:						
Research and development, net	3,154	2,602	21.2	1,529	1,148	33.0
Selling and marketing	8,927	5,737	55.6	4,691	3,028	54.9
General and administrative	4,562	2,723	67.5	2,467	1,407	75.3
Special Post employment benefit	438					
Total operating expenses	17,081	11,062	54.4	8,687	5,583	55.6
Operating income	2,108	1,760	19.8	820	858	(4.4)
Financial expense, net	1,399	444	215.1	415	140	196.4
Income from continuing operations before income taxes	709	1,316	(46.1)	405	718	(43.6)
Income tax	571	428		279	280	
Net Income from continuing operations	138	888	(84.5)	126	438	(71.2)
Loss on discontinued operations, net	309	248		61	96	
Net income (loss)	(171)	640		65	342	(81.0)
Basic and diluted net earnings per share from continuing operations	0.01	0.08		0.01	0.04	
Basic and diluted loss per share from discontinued operations,	(0.03)	(0.02)		(0.005)	(0.01)	

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

net

Basic and diluted net earnings (loss) per share	(0.02)	0.06	0.005	0.03
---	--------	------	-------	------

FINANCIAL RATIOS

	Six Months Ended		Three months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Gross margin	37.4	45.5	38.0	45.7
Research and development, net as a % of revenues	6.1	9.2	6.1	8.1
Selling and marketing as a % of revenues	17.4	20.3	18.7	21.5
General and administrative as a % of revenues	8.9	9.7	9.9	10
Special post employment benefit	0.9	-	-	-
Operating margin	4.1	6.2	3.3	6.1
Net income margin (after discontinued operation)	(0.3)	2.3	0.3	2.4

MAGAL SECURITY SYSTEMS LTD.

Reconciliation of GAAP to Non-GAAP Measures

(All numbers expressed in thousands of US\$)

	Six Months Ended		Three months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
GAAP operating income	2,108	1,760	820	858
Amortization of customer related intangible assets	2,101	-	1,056	-
Special post employment benefit	438	-	-	-
Amortization of deferred stock based compensation	114	-	57	-

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Non-GAAP operating income	4,761	1,760	1,933	858	
GAAP operating income as a percentage of revenues	4.1%	6.2%	3.3%	6.1%	
Non-GAAP operating income as a percentage of revenues	9.3%	6.2%	7.7%	6.1%	
		Six Months Ended June 30, 2008	2007	Three months Ended June 30, 2008	2007
GAAP net income (loss)	(171)	640		65	342
Amortization of customer related intangible assets	2,101			1,056	
Special post employment benefit	438				
Loss on discontinued operation, net	309	248		61	96
Amortization of deferred stock based compensation	114			57	
Income taxes with respect to the above items	(768)			(332)	
Non-GAAP net income	2,023	888		907	438
GAAP net income (loss) as a percentage of revenues	(0.3)	2.3		0.3	2.4
Non GAAP net income as a percentage of revenues	3.9	3.1		3.6	3.1
GAAP basic and diluted net earnings (loss) per share	(0.02)	0.06		0.005	0.03
Non-GAAP basic and diluted net earnings per share	0.19	0.08		0.09	0.04

MAGAL SECURITY SYSTEMS LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(All numbers expressed in thousands of US\$)

	June 30, 2008	December 31, 2007
CURRENT ASSETS:		

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Cash and cash equivalents	12,220	9,205
Marketable securities	9,732	9,464
Short term bank deposits	4,496	11,220
Trade receivables	24,282	26,775
Unbilled accounts receivable	5,204	4,053
Other accounts receivable and prepaid expenses	6,935	5,753
Deferred income taxes	2,479	1,936
Inventories	16,884	23,785
Total current assets	82,232	92,191
Long term investments and receivables:		
Long-term trade receivables	2,076	2,019
Long-term loans	919	808
Long-term bank deposits	1,834	1,846
Escrow deposit	992	4,442
Severance pay fund	2,853	2,765
Total long-term investments and receivables	8,674	11,880
PROPERTY AND EQUIPMENT, NET	8,987	8,429
DEFERRED INCOME TAXES	2,220	763
OTHER INTANGIBLE ASSETS, NET	5,277	7,040
GOODWILL	12,847	5,610
ASSETS ATTRIBUTED TO DISCONTINUED OPERATION	60	244
Total assets	120,297	126,157
CURRENT LIABILITIES:		
Short-term bank credit	15,183	16,434
Current maturities of long-term bank debt	4,303	4,303
Trade payables	4,192	7,344
Other accounts payable, accrued expenses and customer advances	16,966	22,584
Total current liabilities	40,644	50,665
LONG-TERM LIABILITIES:		
Long-term bank debt	2,695	3,095
Deferred income taxes	4,029	2,097
Accrued severance pay	4,135	3,873
Total long-term liabilities	10,859	9,065
LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATION	246	849
SHAREHOLDERS' EQUITY	68,548	65,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	120,297	126,157
Total bank debt to total capitalization	0.32	0.36
Current ratio	2.02	1.82

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Contacts:

Company Investor Relations

Magal Security Systems, Ltd
Lian Goldstein, CFO
Tel: +972-3-5391444
Fax: +972-3-5366245
E-mail: lian@magal-ssl.com

GK Investor Relations
Ehud Helft/Kenny Green
Tel: +1-646-201-9246
E-mail: info@gkir.com

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.

MAGAL SECURITY SYSTEMS LTD.
(Registrant)

By: /s/ Izhar Dekel

Izhar Dekel
Chief Executive Officer

Date: July 30, 2008