

PERFORMANCE TECHNOLOGIES INC \DE\
Form 8-K
July 30, 2010

UNITED STATES
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): July 30, 2010

PERFORMANCE TECHNOLOGIES, INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

02-27460
(Commission
File Number)

16-1158413
(IRS Employer
Identification No.)

205 Indigo Creek Drive
Rochester, New York
(Address of principal executive offices)

14626
(Zip Code)

(585) 256-0200
(Registrant's telephone number, including area code)

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))

Item 2.02 Results of Operations and Financial Condition

On July 30, 2010, Performance Technologies, Incorporated ("PT") issued a press release announcing its results of operations for the quarter ended June 30, 2010. A copy of the press release is being furnished as Exhibit 99.1 to this Form 8-K.

(c) Exhibits.

(99.1) Press release issued by PT on July 30, 2010.

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.

PERFORMANCE TECHNOLOGIES, INCORPORATED

July 30, 2010 By /s/ John M. Slusser
 John M. Slusser
 President and Chief Executive Officer

July 30, 2010 By /s/ Dorrance W. Lamb
 Dorrance W. Lamb
 Chief Financial Officer and Senior Vice President of
 Finance

For more information contact:

Dorrance W. Lamb
SVP and Chief Financial Officer
PT
585-256-0200 ext. 7276
<http://www.pt.com>
finance@pt.com

PT Announces Second Quarter 2010 Financial Results

ROCHESTER, NY July 30, 2010 -- PT (NASDAQ: PTIX), the recently rebranded Performance Technologies, a leading global provider of advanced network communications solutions, today announced its financial results for the second quarter 2010.

Revenue in the second quarter 2010 amounted to \$7.4 million, compared to \$6.4 million in the second quarter 2009. Revenue for the six months ended June 30, 2010 amounted to \$14.8 million, compared to \$13.3 million during the corresponding period in 2009.

The Company incurred a net loss in the second quarter 2010 in the amount of (\$2.0 million), or (\$.18) per basic share, including a restructuring charge of \$.01 per share and stock-based compensation expense of \$.01 per share, based on 11.1 million shares outstanding. The Company incurred a net loss in the second quarter 2009 in the amount of (\$4.7 million), or (\$.43) per basic share, including a non-cash income tax charge to record a valuation allowance against the Company's United States deferred tax assets in the amount of \$.30 per share; a discrete income tax benefit of \$.01 per share; and stock-based compensation expense of \$.01 per share, based on 11.1 million shares outstanding.

The Company incurred a net loss for the six months ended June 30, 2010 amounting to (\$3.9 million), or (\$.35) per basic share, including a restructuring charge of \$.01 per share; stock-based compensation of \$.03 per share; and a discrete tax provision of \$.01 per share, based on 11.1 million shares outstanding. The Company incurred a net loss for the six months ended June 30, 2009 amounting to (\$6.2 million), or (\$.55) per basic share, based on 11.1 million shares outstanding. This loss includes a non-cash income tax charge amounting to \$.30 per share for a valuation allowance recorded against the Company's United States deferred tax assets; a restructuring charge of \$.04 per share; a discrete income tax benefit of \$.01 per share and stock-based compensation expense of \$.03 per share.

Cash and investments amounted to \$26.5 million, or \$2.39 per share, and the Company had no long-term debt at June 30, 2010. The Company had 11.1 million common shares outstanding at June 30, 2010.

Revenue levels remain challenging with protracted procurement decisions due to ongoing economic uncertainty and book-to-ship delays resulting from industry wide supply chain shortages," said John Slusser, president and chief executive officer. "During the quarter, we prudently continued our strategic investments in product evolution, market diversification and commitment to establishing a footprint in several global growth markets. I am pleased to note that as a result of our efforts in Africa, we have now captured core network signaling deployments from two premier sub-Saharan wireless service providers, which will begin to contribute to revenues in the third quarter.

Business Overview

The Company globally targets two primary vertical markets for its network communications products, namely telecommunications, and military, aerospace and government systems. The telecommunications market, historically our largest vertical market, is fundamentally driven by investments in network infrastructure by carriers and service providers. Telecommunications market revenues derived from our IPnexus® Application-Ready Systems products depend primarily on broad, multi-year deployments of next-generation telecommunications infrastructure. Telecommunications market revenues generated from end user solutions, such as our SEGway and Xpress product lines, are governed by investments necessary to support existing and evolving service demands such as the ongoing worldwide explosive growth in text messaging and the transition to Internet-based communications networks. Sales into the military, aerospace and government systems market are typically to prime contractors and system integrators that reflect investment levels by various government agencies and military branches in specific programs and projects requiring enhanced communications capabilities. Military, aerospace and government systems shipments are subject to project deployment schedules and are often not consistent from quarter-to-quarter.

Recent Customer Highlights:

Nigeria's Starcomms Evolves to All-IP Next-Gen Network with PT's SEGway Solution

Starcomms serves 3.2 million customers in Nigeria with mobile services, internet broadband services, and fixed wireless services. Ever forward thinking and responsive to its subscribers, Starcomms is transitioning its network to a complete IP architecture. The carrier designed a hierarchical network topology using PT's state-of-the art SEGway signaling solution at the core, which allows effortless interconnection of IP elements to existing network infrastructure.

Viaero Wireless Selects PT's SEGway IP Signaling Solution

Viaero Wireless is one of the nation's largest privately held wireless mobile service providers, supplying residents of Colorado, Nebraska, and Kansas with coast-to-coast coverage throughout North America. Viaero upgraded their network using the SEGway IP Signaling Solution as a key component of their evolution to IP-based next-generation services.

PT's SEGway Signaling Solutions Offer Top Efficiency for Union Telephone's Network Migration

Historic Union Telephone serves the Rocky Mountain region with wireless, wireline, Internet and CATV services. Union selected PT's SEGway Signaling Solution with Point Code Emulation (PCE) as a pivotal piece of its IP-based network progression based upon its ability to substantially cap network growth costs and provide transparent network expansion and reconfiguration capabilities.

More in-depth discussions of the Company's strategy and financial performance can be found in the Company's periodic reports on Form 10-K and Form 10-Q, as filed with the Securities and Exchange Commission.

About PT (www.pt.com)

PT (NASDAQ: PTIX) is a global supplier of advanced network communications solutions to carrier, government, and OEM markets. PT's portfolio includes IP-centric network elements and applications designed for high availability, scalability, and long life cycle deployments. The Company's entire line of offerings is anchored by IPnexus®, PT's own IP-native, highly integrated platforms and element management systems. OEMs and application developers, including PT itself, leverage the robust carrier grade Linux® development environment and rich suite of communications protocols (PT's Nexusware®) of IPnexus Application-Ready Systems as a cornerstone component of their end product value proposition. PT's SEGway Signaling Solutions provide low cost, high density signaling, advanced routing, IP migration, gateway capabilities, SIP bridge, and core-to-edge distributed intelligence. The Company's Xpress NGN applications enable evolving Mobile 2.0, Multi-media, and IMS based revenue generating services. PT is headquartered in Rochester, NY and maintains sales and engineering offices around the world.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This press release contains forward-looking statements which reflect the Company's current views with respect to future events and financial performance, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor provisions of those Sections. The Company's future operating results are subject to various risks and uncertainties and could differ materially from those discussed in the forward-looking statements and may be affected by various trends and factors which are beyond the Company's control. These risks and uncertainties include, among other factors, business and economic conditions, rapid technological changes accompanied by frequent new product introductions, competitive pressures, dependence on key customers, inability to gauge order flows from customers, fluctuations in quarterly and annual results, the reliance on a limited number of third party suppliers, limitations of PT's manufacturing capacity and arrangements, the protection of PT's proprietary technology, the effects of pending or threatened litigation, the dependence on key personnel, changes in critical accounting estimates, potential impairments related to investments, foreign regulations, and potential material weaknesses in internal control over financial reporting. In addition, during weak or uncertain economic periods, customers' visibility deteriorates causing delays in the placement of their orders. These factors often result in a substantial portion of PT's revenue being derived from orders placed within a quarter and shipped in the final month of the same quarter. Forward-looking statements should be read in conjunction with the audited Consolidated Financial Statements, the Notes thereto, Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company as of December 31, 2009, as contained in the Company's Annual Report on Form 10-K, and other documents filed with the Securities and Exchange Commission.

###

A conference call will be held on Friday, July 30, at 10:00 a.m., New York time, to discuss the results. All institutional investors can participate in the conference by dialing (866) 250-5144 or (416) 849-6163. The call will be available simultaneously for all other investors at (866) 494-3387 or (416) 915-1198. A digital recording of this conference call may be accessed immediately after its completion from July 30 through August 3, 2010. To access the recording, participants should dial (866) 245-6755 or (416) 915-1035 using passcode 533464. A live webcast of the conference call will be available on the PT website at www.pt.com and will be archived to the site within two hours after the completion of the call.

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

ASSETS

| | June 30, 2010 | December 31, 2009 |
|---------------------------------------|--------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 15,911,000 | \$ 17,563,000 |
| Investments | 7,177,000 | 7,533,000 |
| Accounts receivable | 5,128,000 | 6,542,000 |
| Inventories | 4,783,000 | 4,459,000 |
| Prepaid expenses and other assets | 964,000 | 820,000 |
| Deferred taxes | 385,000 | 392,000 |
| Fair value of foreign currency hedges | 2,000 | 201,000 |
| Prepaid income taxes | 59,000 | 24,000 |
| Total current assets | 34,409,000 | 37,534,000 |
| Investments | 3,426,000 | 4,239,000 |
| Property, equipment and improvements | 1,792,000 | 1,686,000 |
| Software development costs | 5,545,000 | 5,254,000 |
| Deferred taxes | 174,000 | 176,000 |
| Total assets | \$ 45,346,000 | \$ 48,889,000 |

LIABILITIES AND STOCKHOLDERS EQUITY

| | | |
|------------------------------|--------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 1,164,000 | \$ 1,013,000 |
| Accrued expenses | 4,216,000 | 4,195,000 |
| Total current liabilities | 5,380,000 | 5,208,000 |
| Income taxes payable | 51,000 | 65,000 |
| Total liabilities | 5,541,000 | 5,273,000 |
| Stockholders' equity: | | |
| Preferred stock | | |
| Common stock | 133,000 | 133,000 |
| Additional paid-in capital | 16,882,000 | 16,596,000 |

Edgar Filing: PERFORMANCE TECHNOLOGIES INC \DE\ - Form 8-K

| | | |
|--|---------------|---------------|
| Retained earnings | 32,717,000 | 36,577,000 |
| Accumulated other comprehensive income | 1,000 | 128,000 |
| Treasury stock | (9,818,000) | (9,818,000) |
| Total stockholders' equity | 39,915,000 | 43,616,000 |
| Total liabilities and stockholders' equity | \$ 45,346,000 | \$ 48,889,000 |

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Sales | \$ 7,449,000 | \$ 6,356,000 | \$ 14,804,000 | \$ 13,283,000 |
| Cost of goods sold | 4,170,000 | 3,154,000 | 7,627,000 | 6,345,000 |
| Gross profit | 3,279,000 | 3,202,000 | 7,177,000 | 6,938,000 |
| Operating expenses: | | | | |
| Selling and marketing | 2,034,000 | 1,698,000 | 4,407,000 | 3,614,000 |
| Research and development | 1,892,000 | 1,986,000 | 3,882,000 | 4,102,000 |
| General and administrative | 1,364,000 | 1,181,000 | 2,672,000 | 2,319,000 |
| Restructuring charges | 64,000 | | 127,000 | 445,000 |
| Total operating expenses | 5,354,000 | 4,865,000 | 11,088,000 | 10,480,000 |
| Loss from operations | (2,075,000) | (1,663,000) | (3,911,000) | (3,542,000) |
| Other income, net | 41,000 | 177,000 | 104,000 | 256,000 |
| Loss before income taxes | (2,034,000) | (1,486,000) | (3,807,000) | (3,286,000) |
| Income tax (benefit) provision | (74,000) | 3,245,000 | 53,000 | 2,871,000 |
| Net loss | \$ (1,960,000) | \$ (4,731,000) | \$ (3,860,000) | \$ (6,157,000) |
| Basic loss per share | \$ (.18) | \$ (.43) | \$ (.35) | \$ (.55) |
| Weighted average common shares | 11,116,000 | 11,116,000 | 11,116,000 | 11,453,000 |

