

XYRATEX LTD
Form 6-K
February 17, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

February 17, 2009

Commission File Number:0001284823

XYRATEX LTD

(Translation of registrant's name into English)

Langstone Road,

Havant

PO9 1SA

United Kingdom

(Address of principal executive offices)

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

Form 20-F Form 40-F

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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 the registrant by furnishing the information contained in this Form 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-

FOR IMMEDIATE RELEASE

Xyratex Ltd Announces Final Results for the Fourth Quarter and Fiscal Year 2008

Havant, UK, February 17, 2009 Xyratex Ltd (Nasdaq: XRTX), a leading provider of enterprise class data storage subsystems and storage process technology, today announced final results for the fourth quarter and fiscal year ended November 30, 2008. These results represent an update to the preliminary results announced on January 6, 2009.

The only change from the results announced on January 6 is related to the specific provision representing inventory and future vendor claims. This provision was associated with a specific Networked Storage Solutions customer product forecast which indicated a transition to an updated version sooner than originally planned, giving rise to an exposure on long lead time components. Within its preliminary results the Company provided what it believed would be its maximum probable exposure of \$9.5 million.

Following a thorough assessment of the exposure and mitigation opportunities, it has been concluded that the total provision required is \$2 million and hence the Company has been able to write back \$7.5 million of the preliminary provision.

The updated and final results for Xyratex Ltd for the fourth quarter and fiscal year ended November 30, 2008 are summarized below:

- Revenues for the fourth quarter were \$285.4 million, an increase of 15.1% compared to revenues of \$248 million for the same period last year. Revenues for the full year were \$1,049.7 million, an increase of 12.7%, compared to revenues of \$931.6 million for fiscal year 2007.
- Fourth quarter GAAP net loss was \$55.7 million, or \$1.92 per diluted share compared to GAAP net income of \$11.7 million in the same period last year.
- A GAAP net loss for fiscal year 2008 of \$47.9 million, or \$1.64 per diluted share compared to a GAAP net income of \$28.1 million for fiscal year 2007.
- Fourth quarter non-GAAP net income of \$0.4 million, or \$0.02 per diluted share compared to non-GAAP net income of \$13.1 million in the same quarter a year ago.
- A non-GAAP net income for fiscal year 2008 of \$16.2 million, or a diluted earnings per share of \$0.56 compared to non-GAAP net income of \$37.5 million, or \$1.26 per diluted share, for fiscal year 2007(1).
- Gross profit margin in the fourth quarter of 12.5%, compared to 18.5% in the same period last year and 17.6% in the prior quarter.

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These results will be reflected in the Company's Annual Report on Form 20-F to be issued shortly.

(1) Non-GAAP net income (loss) and diluted earnings (loss) per share excludes (a) amortization of intangible assets, (b) equity compensation expense, (c) specified non-recurring or non-cash items, such as the impairment of goodwill and the valuation allowance against a deferred tax asset, and (d) the related tax effects. Reconciliation of non-GAAP net income and diluted earnings per share to GAAP net income and GAAP diluted earnings per share is included in a table immediately following the condensed consolidated statements of cash flow below.

The intention in providing these non-GAAP measures is to provide supplemental information regarding the Company's operational performance whilst recognizing that they have material limitations and that they should only be referred to with reference to the corresponding GAAP measure.

The Company believes that the provision of these non-GAAP financial measures is useful to investors and investment analysts because it enables comparison to the Company's historical operating results, those of competitors and other industry participants and also provides transparency to the measures used by management in operational and financial decision making. In relation to the specific items excluded: (a) intangible assets represent costs incurred by the acquired business prior to acquisition, are not cash costs and will not be replaced when the assets are fully amortized and therefore the exclusion of these costs provides management and investors with better visibility of the costs required to generate revenue over time; (b) equity compensation expense is non-cash in nature, is outside the control of management during the period in which the expense is incurred and in addition has not been measured consistently as a result of the implementation of FAS 123R; (c) the impairment of goodwill and the valuation allowance against the deferred tax asset is non-recurring, non-cash and is not comparable across periods or with other companies; (d) the exclusion of the related tax effects of excluding items (a) to (c) is necessary to show the effect on net income of the change in tax expense that would have been recorded if these items had not been incurred.

Safe Harbor Statement

This press release contains forward looking statements. These statements relate to future events or our future financial performance. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that might cause such a difference include our inability to compete successfully in the competitive and rapidly changing marketplace in which we operate, failure to retain key employees, changes in our customers volume requirements, cancellation or delay of projects and adverse general economic conditions in the United States and internationally. These risks and other factors include those listed under "Risk Factors" and elsewhere in our

Annual Report on Form 20-F as filed with the Securities and Exchange Commission (File No. 000-50799). In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, estimates, continue, or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

About Xyratex

Xyratex is a leading provider of enterprise class data storage subsystems and storage process technology. The company designs and manufactures enabling technology that provides OEM and disk drive manufacturers with data storage products to support high-performance storage and data communication networks. Xyratex has over 20 years of experience in research and development relating to disk drives, storage systems and high-speed communication protocols.

Founded in 1994 in an MBO from IBM, and with headquarters in the UK, Xyratex has an established global base with R&D and operational facilities in Europe, the United States and South East Asia.

For more information, visit www.xyratex.com.

Contacts:

Xyratex Investor Relations

Brad Driver, +1 408-325-7260

bdriver@us.xyratex.com

www.xyratex.com

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,		Year Ended	
	November 30,	November 30,	November 30,	November 30,
	2008	2007	2008	2007

(US dollars in thousands, except per share amounts)

Revenues:								
Networked Storage Solutions	\$	222,300	\$	187,216	\$	855,770	\$	693,990
Storage Infrastructure		63,127		60,772		193,946		237,643
Total revenues		285,427		247,988		1,049,716		931,633
Cost of revenues								
		249,827		202,133		891,139		762,582
Gross profit:								
Networked Storage Solutions		18,643		28,165		107,275		100,573
Storage Infrastructure		17,234		18,046		52,566		69,716
Equity compensation		(277)		(356)		(1,264)		(1,238)
Total gross profit		35,600		45,855		158,577		169,051
Operating expenses:								
Research and development		22,726		19,370		85,897		77,559
Selling, general and administrative		15,984		16,532		63,686		61,977
Amortization of intangible assets		1,223		2,485		4,882		7,304
Impairment of goodwill		34,256				34,256		
Total operating expenses		74,189		38,387		188,721		146,840
Operating income (loss)		(38,589)		7,468		(30,144)		22,211
Other income								
								890
Interest income, net		166		1,030		1,618		3,283
Income (loss) before income taxes		(38,423)		8,498		(28,526)		26,384
Provision (benefit) for income taxes		17,324		(3,229)		19,383		(1,725)
Net income (loss)	\$	(55,747)	\$	11,727	\$	(47,909)	\$	28,109
Net earnings (loss) per share:								
Basic	\$	(1.92)	\$	0.40	\$	(1.64)	\$	0.97
Diluted	\$	(1.92)	\$	0.39	\$	(1.64)	\$	0.94
Weighted average common shares (in thousands), used in computing net earnings (loss) per share:								
Basic		29,096		29,100		29,157		28,985
Diluted		29,096		29,758		29,157		29,866

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UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	November 30, 2008	November 30, 2007
	(US dollars and amounts in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,013	\$ 70,678
Accounts receivable, net	140,879	122,327
Inventories	128,183	91,662
Prepaid expenses	2,746	2,994
Deferred income taxes	1,000	3,000
Other current assets	4,430	8,275
Total current assets	305,251	298,936
Property, plant and equipment, net	47,229	37,421
Intangible assets, net	11,162	54,175
Deferred income taxes	9,545	19,743
Total assets	\$ 373,187	\$ 410,275
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 111,295	\$ 96,046
Employee compensation and benefits payable	9,745	13,280
Deferred revenue	8,386	15,212
Income taxes payable	2,573	1,165
Other accrued liabilities	27,599	11,311
Total current liabilities	159,598	137,014
Long-term debt		
Total liabilities	159,598	137,014
Shareholders equity		
Common shares of Xyratex Ltd (in thousands), par value \$0.01 per share 70,000 authorized, 29,146 and 29,117 issued and outstanding	291	291
Additional paid-in capital	366,067	356,268
Accumulated other comprehensive income	(13,603)	1,847
Accumulated deficit	(139,166)	(85,145)
Total shareholders equity	213,589	273,261
Total liabilities and shareholders equity	\$ 373,187	\$ 410,275

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	November 30, 2008	November 30, 2007
	(US dollars in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (47,909)	\$ 28,109
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	15,770	13,683
Amortization of intangible assets	4,882	7,304
Impairment of intangible assets	34,256	
Non-cash equity compensation	7,646	8,057
Loss on sale of assets	185	341
Changes in assets and liabilities, net of impact of acquisitions and divestitures		
Accounts receivable	(18,552)	(17,003)
Inventories	(36,521)	1,449
Prepaid expenses and other current assets	1,455	(2,956)
Accounts payable	15,249	11,150
Employee compensation and benefits payable	(3,535)	(3,365)
Deferred revenue	(6,826)	(1,091)
Income taxes payable	1,408	(476)
Deferred income taxes	16,944	(1,616)
Other accrued liabilities	2,718	(2,266)
Net cash provided by (used in) operating activities	(12,830)	41,320
Cash flows from investing activities:		
Investments in property, plant and equipment	(25,763)	(16,974)
Acquisition of intangible assets		(4,833)
Acquisition of business, net of cash received		(1,661)
Net cash used in investing activities	(25,763)	(23,468)
Cash flows from financing activities:		
Payments of short-term borrowings		(7,000)
Repurchases of common shares	(6,116)	
Proceeds from issuance of shares	2,044	2,905
Net cash used in financing activities	(4,072)	(4,095)
Change in cash and cash equivalents	(42,665)	13,757
Cash and cash equivalents at beginning of period	70,678	56,921
Cash and cash equivalents at end of period	\$ 28,013	\$ 70,678

XYRATEX LTD

SUPPLEMENTAL INFORMATION

	Three Months Ended		Year Ended	
	November 30, 2008	November 30, 2007	November 30, 2008	November 30, 2007
	(US dollars in thousands, except per share amounts)		(US dollars in thousands, except per share amounts)	

Summary Reconciliation Of GAAP Net Income To Non-GAAP Net Income

GAAP net income (loss)	\$	(55,747)	\$	11,727	\$	(47,909)	\$	28,109
Amortization of intangible assets		1,223		2,485		4,882		7,304
Impairment of goodwill		34,256				34,256		
Equity compensation		1,755		2,237		7,646		8,057
Other income								(890)
Tax effect of impairment of goodwill		(9,592)				(9,592)		
Tax effect of other non-GAAP adjustments		(1,024)		(1,602)		(3,791)		(4,050)
Valuation allowance against UK deferred tax asset		29,466				29,466		
Effect on deferred tax of changes to UK tax rates and exchange rates		110		(1,743)		1,254		(1,040)
Non-GAAP net income	\$	447	\$	13,104	\$	16,212	\$	37,490

Summary Reconciliation Of Diluted GAAP Earnings Per Share To Diluted Non-GAAP Earnings Per Share

Diluted GAAP earnings (loss) per share	\$	(1.92)	\$	0.39	\$	(1.64)	\$	0.94
Amortization of intangible assets		0.04		0.08		0.17		0.24
Impairment of goodwill		1.18				1.17		
Equity compensation		0.06		0.08		0.26		0.27
Other income								(0.03)
Tax effect of impairment of goodwill		(0.33)				(0.33)		
Tax effect of other non-GAAP adjustments		(0.03)		(0.05)		(0.13)		(0.14)
Valuation allowance against UK deferred tax asset		1.01				1.01		
Effect on deferred tax of changes to UK tax rates and exchange rates				(0.06)		0.04		(0.03)
Diluted non-GAAP earnings per share	\$	0.02	\$	0.44	\$	0.56	\$	1.26

Summary Of Equity Compensation

Cost of revenues		277		356		1,264		1,238
Research and development		567		711		2,469		2,477
Selling, general and administrative		911		1,170		3,913		4,342
Total equity compensation		1,755		2,237		7,646		8,057

SIGNATURES

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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.

XYRATEX LTD
(Registrant)

Date: February 17, 2009

By:

/s/ Richard Pearce
Name: Richard Pearce
Title: Chief Financial Officer