

CSP INC /MA/  
Form 8-K  
August 03, 2011

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): August 3, 2011

**CSP Incorporated**

(Exact name of the registrant as specified in its charter)

Massachusetts

(State or other jurisdiction of incorporation)

**000-10843**

**04-2441294**

(Commission File Number) (IRS Employer Identification No.)

**43 Manning Road, Billerica, Massachusetts**

**01821-3901**

(Address of principal executive offices)

(Zip Code)

**(978) 663-7598**

(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:

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 August 3, 2011, CSP Inc. (the "Company") issued a press release announcing its financial results for the third quarter fiscal year 2011 which ended June 30, 2011. A copy of the press release relating to such announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information set forth in this Form 8-K, including the exhibits attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that Section. The information in this Form 8-K shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Press Release Dated August 3, 2011.

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 hereunto duly authorized.

CSP INC.

Date: August 3, 2011

By: /s/Gary W. Levine

Gary W. Levine  
Vice President Finance and  
Chief Financial Officer

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Contact: Gary Levine

Chief Financial Officer

CSP Inc.

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#### CSP Inc. Reports Third-Quarter Fiscal 2011 Financial Results

BILLERICA, MA, August 3, 2011 - CSP Inc. (NASDAQ: CSPI), a provider of IT solutions, systems integration services and dense cluster computing systems, today reported financial results for the third quarter of fiscal 2011 ended June 30, 2011.

For the third quarter of fiscal 2011, total sales were \$19.7 million compared with \$28.6 million for the third quarter of 2010. For the first nine months of 2011, sales were \$61.0 million compared with \$71.2 million in the year-earlier period.

Gross profit for the third quarter of fiscal 2011 was 18.0% compared with 17.0% in the third quarter a year ago. For the first nine months of fiscal 2011, gross profit was 20.0% compared with 18.0% in the same period of fiscal 2010.

Net loss for the third quarter of fiscal 2011 was \$0.2 million, or \$0.06 per share, compared with net income of \$0.6 million, or \$0.17 per diluted share, in the third quarter of fiscal 2010. For the first nine months of fiscal 2011, net income was \$0.5 million, or \$0.13 per diluted share, compared with net income of \$0.9 million, or \$0.24 per diluted share, for the year-earlier period.

Cash and short-term investments increased by approximately \$2.0 million from fiscal year ended September 30, 2010 to \$17.5 million as of June 30, 2011. CSP purchased approximately \$60,000 of common stock during the quarter. CSP's cash position may vary significantly from quarter to quarter due to the high working capital requirements needed to fund large projects at both its Systems and its Services and Systems Integration segments.

#### Management Comments

"Our top- and bottom-line performance in the third quarter reflects difficult year-over-year comparisons in both our Systems and our Service and Systems Integration businesses," said CSP Chairman and Chief Executive Officer Alexander R. Lupinetti. "The lower revenues are primarily attributable to significantly reduced sales to a major hosting customer at our Service and Systems Integration segment. As we reported previously, that customer had acquired one of our largest competitors in 2010. In addition, in the third quarter of 2010, our Systems business reported \$1.6 million in high margin royalty revenues from Lockheed Martin related to the E2D Advanced Hawkeye aircraft compared with only \$0.5 million in lower margin parts sales in the third quarter of 2011."

"Looking forward, we are optimistic about positive trends on both sides of the business," said Lupinetti. "At our Systems segment, we are pleased that 10 E2D aircraft have received budget approval as part of phases 3 and 4 of the Low Rate Initial Production Phase, and we expect to benefit from the production of these aircraft beginning in 2012. At our Service and Systems Integration segment, we are making progress on our strategy to attract higher-margin consulting, as well as solutions and managed services business. As we begin to look toward fiscal 2012, we are bullish about our long-term growth prospects as we are poised to capitalize on exciting trends on both the Systems and Service and Systems Integration segments."

#### Conference Call Details

CSP Chairman and Chief Executive Officer Alexander R. Lupinetti, and Chief Financial Officer Gary W. Levine will host a conference call at 10:00 a.m. (ET) today to review CSP's financial results and provide a business update. To listen to a live webcast of the call, please visit the "Investor Relations" section of the Company's website at [www.cspi.com](http://www.cspi.com). Individuals may also listen to the call via telephone, by dialing (877) 709-8155 or (201) 689-8881. For interested parties unable to participate in the live call, an archived version of the webcast will be available for approximately one year on CSP's website.

#### About CSP Inc.

Based in Billerica, Massachusetts and founded in 1968, CSP Inc. and its subsidiaries develop and market best-of-breed IT solutions, systems integration services, and high-performance computer systems. CSP's Systems segment includes the MultiComputer Division, which supplies high-performance Linux cluster systems for a broad array of defense applications, including radar, sonar and surveillance signal processing. The Company's MODCOMP Inc. subsidiary, also part of its Service and Systems Integration segment founded in 1970, is a leading provider of IT solutions and systems integration services for complex IT environments. MODCOMP works with third parties to develop cutting edge solutions in the global IT markets and has offices in the U.S., U.K. and Germany. More information about CSP is available on the company's website at [www.cspi.com](http://www.cspi.com). To learn more about MODCOMP,

Inc., consult [www.modcomp.com](http://www.modcomp.com).

#### Safe Harbor

The Company wishes to take advantage of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 with respect to statements that may be deemed to be forward-looking under the Act. Such forward-looking statements may include, but are not limited to, those relating to expectations regarding the build plans for the E2D aircraft, CSP's ability to attract higher-margin consulting, as well as solutions and managed services business, the Company's optimism regarding its long-term growth prospects and its ability to capitalize on exciting trends on both the Systems and Service and Systems Integration segments. The Company cautions that numerous factors could cause actual results to differ materially from forward-looking statements made by the Company. Such risks include general economic conditions, market factors, competitive factors and pricing pressures, and others described in the Company's filings with the SEC. Please refer to the section on forward-looking statements included in the Company's filings with the Securities and Exchange Commission.

CSP INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

	June 30,	September 30,
	<u>2011</u>	<u>2010</u>

Assets

Current assets:



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Cash and short-term investments	\$17,482	\$15,531
Accounts receivable, net	10,318	12,190
Inventories	5,586	5,862
Other current assets	<u>2,514</u>	<u>2,368</u>
Total current assets	35,900	35,951
Property, equipment and improvements, net	873	873
Other assets	<u>4,657</u>	<u>4,555</u>
Total assets	<u>\$41,430</u>	<u>\$41,379</u>
Liabilities and Shareholders' Equity		
Current liabilities	\$13,273	\$13,948
Pension and retirement plans	9,010	8,928
Non-current liabilities	296	24
Shareholders' equity	<u>18,851</u>	<u>18,479</u>
Total liabilities and shareholders' equity	<u>\$41,430</u>	<u>\$41,379</u>

CSP INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Amounts in thousands, except per share data)

**/---Three Months Ended---/ /---Nine Months Ended---/**

	Jun. 31,	Jun. 31,	Jun. 31,	Jun. 31,
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Sales:</b>				
Product	\$16,416	\$23,753	\$49,566	\$59,549
Service	<u>3,265</u>	<u>4,815</u>	<u>11,434</u>	<u>11,601</u>
Total sales	19,681	28,568	61,000	71,150
<b>Cost of Sales:</b>				
Product	13,690	21,153	41,440	50,729
Service	<u>2,370</u>	<u>2,519</u>	<u>7,162</u>	<u>7,731</u>

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Total cost of sales	16,060	23,672	48,602	58,460
Gross profit	3,621	4,896	12,398	12,690
Operating expenses:				
Engineering and development	442	498	1,460	1,401
Selling, general & administrative	<u>3,450</u>	<u>3,740</u>	<u>10,135</u>	<u>10,207</u>
Total operating expenses	<u>3,892</u>	<u>4,238</u>	<u>11,595</u>	<u>11,608</u>
Operating income (loss)	(271)	658	803	1,082
Other income (loss), net	<u>(33)</u>	<u>(10)</u>	<u>(55)</u>	<u>(46)</u>
Income (loss) before income taxes	(304)	648	748	1,036
Provision (benefit) for income taxes	<u>(90)</u>	<u>27</u>	<u>287</u>	<u>168</u>
Net income (loss)	<u>(\$214)</u>	<u>\$621</u>	<u>\$461</u>	<u>\$868</u>
Net income(loss) attributable to common stockholders	<u>(\$211)</u>	<u>\$614</u>	<u>\$455</u>	<u>\$860</u>
Income (loss) per share - basic	<u>(\$0.06)</u>	<u>\$0.17</u>	<u>\$0.13</u>	<u>\$0.24</u>
Weighted average shares outstanding - basic	<u>3,428</u>	<u>3,548</u>	<u>3,446</u>	<u>3,545</u>
Income (loss) per share - diluted	<u>(\$0.06)</u>	<u>\$0.17</u>	<u>\$0.13</u>	<u>\$0.24</u>
Weighted average shares outstanding - diluted	<u>3,475</u>	<u>3,574</u>	<u>3,485</u>	<u>3,574</u>

