

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

MAGAL SECURITY SYSTEMS LTD

Form 6-K

July 28, 2005

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 2005

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.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces Second Quarter 2005

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Results dated July 28, 2005.

ITEM 1

Press Release

Source: Magal Security Systems Ltd.

Magal Security Systems Ltd. Announces Second Quarter 2005 Results

Thursday July 28, 7:00 am ET

Second Quarter 2005 Revenues Increased 19% YoY and 25% Sequentially With Net Income Showing 63% Sequential Growth

YAHUD, Israel, July 28 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq NM:MAGS; TASE:MAGS) today announced its consolidated financial results for the second quarter and six-month period ended June 30, 2005.

Revenues for the second quarter of 2005 reached US\$17.3 million, an increase of 19 percent compared with the second quarter of 2004 and an increase of 24.7 percent over the first quarter of 2005.

Gross profit for the second quarter of 2005 reached US\$7.4 million (43.1 percent of revenues), an increase of 14.2 percent over the second quarter of 2004 and an increase of 18.6 percent compared with first quarter of 2005.

Operating and net income in the second quarter of 2005, reached US\$809,000 and US\$481,000, respectively, compared with operating and net loss of US\$(345,000) and US\$(739,000) respectively, for the second quarter of 2004.

In the second quarter of 2004, the Company recorded an expense of US\$1.2 million relating to an award granted by the Company's two principal shareholders out of their personal funds to all of the Company's employees. According to generally accepted accounting principles in the United States (US GAAP), this grant was recorded as an expense in the second quarter of 2004, although it did not affect the Company's shareholders' equity nor its statement of cash flow.

Diluted earnings per share for the second quarter was US\$0.05, compared with diluted loss per share of US\$(0.09) in the same period last year.

Revenues for the first six months of 2005 reached US\$31.1 million, an increase of 8.3 percent compared with the same period in 2004. Operating income and net income for the six-month period, reached US\$1.7 million and US\$ 776,000, respectively, compared with operating income and net loss of US\$ 872,000 and US\$ (52,000) respectively, for the first six months of 2004.

Diluted earnings per share for the six-month period was US\$0.08, compared with diluted loss per share of US\$(0.01) in the same period of last year.

Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal and CEO, said:

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"As expected, the second quarter of 2005 showed improvement over the first quarter of 2005 and the second quarter of 2004. Management expects the increase in revenues, as well as in operating and net income to continue into the second half of the year as well, due to the increase in the Company's backlog of orders."

Mr. Even-Ezra added: "Our net income grew sequentially by 63%. However, due to the increased share count of 1,700,000 shares issued in to the secondary offering completed in April, our earnings per share grew sequentially by 40%. With that, I would like to welcome the many top institutional investment funds that invested in the secondary, as well as all our other new shareholders, and hope that you stay with us for the long-term."

The Company also announced that at the Annual General Meeting of Shareholders that took place today, the following directors were re-elected to the board: Jacob Even-Ezra, Izhar Dekel, Nathan Kirsh, Jacob Nuss, Jacob Perry and Zeev Livne.

The Company also announced that all other matters on the agenda on the notice of annual general meeting of shareholders were approved.

The Company will be hosting its quarterly conference call at 11:00am EST. On the call, Mr. Jacob Even-Ezra, Chairman of the Board & CEO, and Ms. Raya Asher, V.P. Finance & CFO, will review and discuss the second quarter 2005 results. They will then be available to answer questions.

To participate, you may listen to the webcast by accessing the link from Magal's web-site at: [www.magal-ssl.com](http://www.magal-ssl.com). Alternatively, you may call one of the teleconferencing numbers that follows.

Please place your calls 5-10 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number or the webcast.

US Dial-in Number: 1-866-860-9642  
Canada Dial-in Number: 1-866-485-2399  
ISRAEL Dial-in Number: 03-918-0610  
INTERNATIONAL Dial-in Number: +972-3-918-0610

At:

11:00am Eastern Time  
8:00am Pacific Time  
6:00pm Israel Time

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. Magal also supplies video monitoring services through Smart Interactive Systems, Inc., a subsidiary established in the U.S. in June 2001. 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. Israeli-based Magal has subsidiaries in the U.S., Canada, the U.K., Germany, Romania, Mexico and an office in China.

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Magal trades under the symbol MAGS in the U.S. on the Nasdaq National Market since 1993 and in Israel on the Tel-Aviv Stock Exchange (TASE) since July 2001.

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.

### Contacts:

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-FINANCIAL TABLES FOLLOW-

### MAGAL SECURITY SYSTEMS LTD.

#### UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

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

	Six Months Ended June 30,			Quarter Ended June 30,		
	2005	% change	2004	2005	% change	2004
Revenues	\$ 31,099	8.3	\$ 28,715	\$ 17,260	19.0	\$ 14,500
Cost of revenues	17,393	9.1	15,935	9,823	22.9	7,990
Gross Profit	13,706	7.2	12,780	7,437	14.2	6,510
Operating expenses:						
Research and development, net	2,432	6.1	2,293	1,276	9.8	1,162
Selling and marketing, net	6,681	17.3	5,697	3,915	27.3	3,076
General and administrative	2,850	4.9	2,718	1,437	1.4	1,417
Award granted by principal	-		1,200	-		1,200

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shareholders	11,963	0.5	11,908	6,628	(3.3)	6,855
Operating income (loss)	1,743	99.9	872	809		(345)
Financial expenses, net	369	5.1	351	40	(84.5)	258
Income (loss) before taxes on income	1,374	163.7	521	769		(603)
Taxes on income	598	4.4	573	288	111.8	136
Net income (loss)	\$ 776		\$ (52)	\$ 481		\$ (739)
Basic net earnings (loss) per share	\$ 0.08		\$ (0.01)	\$ 0.05		\$ (0.09)
Diluted net earnings (loss) per share	\$ 0.08		\$ (0.01)	\$ 0.05		\$ (0.09)
Weighted average ordinary shares outstanding (in thousands)	9,382		8,132	10,092		8,199
Weighted average ordinary shares outstanding assuming dilution (in thousands)	9,525		8,244	10,374		8,301

### FINANCIAL RATIOS

	Six months Ended June 30,		Quarter Ended June 30,	
	2005	2004	2005	2004
Gross Margin (%)	44.1%	44.5%	43.1%	44.9%
R&D as a % of Revenues	7.8%	8.0%	7.4%	8.0%
Selling & Marketing as a % of Revenues	21.5%	19.8%	22.7%	21.2%
G&A Expenses as a % of Revenues	9.2%	9.5%	8.3%	9.8%
Operating Margin (%)	5.6%	3.0%	4.7%	Loss
Net Income Margin (%)	2.5%	Loss	2.8%	Loss
Total Debt to Total Capitalization	*0.37	**0.48	*0.37	**0.48
Current Ratio	*2.17	**1.77	*2.17	**1.77

\* As of June 30, 2005

\*\* As of December 31, 2004

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MAGAL SECURITY SYSTEMS LTD.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (All numbers expressed in thousands of US\$)

	June 30, 2005	December 31, 2004
CURRENT ASSETS:		
Cash and cash equivalents	\$29,802	\$11,964
Trade receivables	9,182	13,232
Unbilled accounts receivable	14,625	7,465
Other accounts receivable	3,182	3,858
Deferred income taxes	375	488
Inventories	11,777	12,702
Total current assets	68,943	49,709
Long term investments and trade receivables:		
Long-term trade receivables	414	344
Long-term bank deposits and structure notes	6,074	5,994
Severance pay fund	1,990	2,142
Total long term investments and trade receivables	8,478	8,480
PROPERTY AND EQUIPMENT, NET	14,912	14,659
OTHER ASSETS, NET	5,073	5,128
Total assets	\$97,406	\$77,976
CURRENT LIABILITIES:		
Short-term bank credit	\$17,196	\$15,618
Current maturities of long-term bank loans	1,796	1,849
Trade payables	4,373	3,189
Other accounts payable and accrued expenses	8,421	7,450
Total current liabilities	31,786	28,106
LONG-TERM LIABILITIES:		
Long-term bank loans	3,500	3,500
Accrued severance pay	2,048	2,172
Long-term liability in respect of forward contracts	64	650
Total long terms liabilities	5,612	6,322
SHAREHOLDERS' EQUITY	\$60,008	\$43,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$97,406	\$77,976

### 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.

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MAGAL SECURITY SYSTEMS LTD.  
(Registrant)

By: /s/Jacob Even-Ezra  
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Jacob Even-Ezra  
Chairman of the Board and  
Chief Executive Officer

Date: July 28, 2005