

SILICON GRAPHICS INC
Form 8-K
January 21, 2004

**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)

January 21, 2004

SILICON GRAPHICS INC.

(Exact name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-10441
(Commission File Number)

94-2789662
(IRS Employer
Identification No.)

**1500 Crittenden Lane
Mountain View, CA**
(Address of Principal Executive Offices)

94043-1351
(Zip Code)

Registrant's telephone number, including area code

(650) 960-1980

1600 Amphitheatre Parkway Mountain View, CA
(Former Name or Former Address, if Changed Since Last Report)

Item 7. Exhibits

(c)

99.1 Earnings Press Release dated January 21, 2004

Item 12. Results of Operations and Financial Condition

On January 21, 2004, the Company announced its financial results for the fiscal quarter ended December 26, 2003. A copy of the press release announcing the Company's financial results is included as an exhibit to and incorporated by reference in this Current Report on Form 8-K. This Current Report on Form 8-K is furnished pursuant to Item 12 of Form 8-K and is not intended to be incorporated by reference into future filings under the Securities Exchange Act of 1934 or the Securities Act of 1933 unless expressly incorporated by reference in such filings.

SILICON GRAPHICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | Dec. 26, 2003 | Dec. 27, 2002 | Dec. 26, 2003 | Dec. 27, 2002 |
| | (unaudited) | | (unaudited) | |
| Product and other revenue | \$ 141,883 | \$ 156,877 | \$ 266,749 | \$ 290,360 |
| Service revenue | 96,030 | 105,861 | 189,191 | 214,096 |
| | <u>237,913</u> | <u>262,738</u> | <u>455,940</u> | <u>504,456</u> |
| Total revenue | | | | |
| Costs and expenses: | | | | |
| Cost of product and other revenue | 78,204 | 89,382 | 149,468 | 171,006 |
| Cost of service revenue | 48,704 | 59,156 | 100,881 | 121,811 |
| Research and development | 30,226 | 42,920 | 65,575 | 85,563 |
| Selling, general and administrative | 69,845 | 74,086 | 148,444 | 160,863 |
| Other operating expense, net (1) | 12,986 | 5,817 | 37,222 | 14,261 |
| | <u>239,965</u> | <u>271,361</u> | <u>501,590</u> | <u>553,504</u> |
| Total costs and expenses | | | | |
| Operating loss | (2,052) | (8,623) | (45,650) | (49,048) |
| Interest and other income (expense), net | (35,610) (2) | (7,448) | (42,522) (2) | (8,008) |
| | <u>(37,662)</u> | <u>(16,071)</u> | <u>(88,172)</u> | <u>(57,056)</u> |
| Loss before income taxes | | | | |
| Income tax provision (benefit) | (294) | 926 | (2,875) | 1,013 |
| | <u>(37,368)</u> | <u>(16,997)</u> | <u>(85,297)</u> | <u>(58,069)</u> |
| Net loss | | | | |
| | <u>\$ (0.18)</u> | <u>\$ (0.08)</u> | <u>\$ (0.41)</u> | <u>\$ (0.29)</u> |
| Net loss per common share - basic and diluted | | | | |
| Shares used in the calculation of net loss per common share - basic and diluted | 211,034 | 200,748 | 210,302 | 200,212 |

(1) Represents charges for and changes in previously estimated restructuring costs.

(2) The three and six-month periods ended December 26, 2003 include a \$23 million non-cash loss resulting from the extinguishment of the exchanged 5.25% Senior Convertible Notes due in 2004 and \$8 million in additional non-cash expense due to the beneficial conversion feature of our 6.50% Secured Convertible Notes.

SILICON GRAPHICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

| | December 26, 2003 | June 27, 2003 |
|--|----------------------|------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 107,511 | \$ 140,836 |
| Short-term marketable investments | 1,246 | 440 |
| Short-term restricted investments | 35,557 | 35,298 |
| Accounts receivable, net | 120,836 | 133,166 |
| Inventories | 72,095 | 71,426 |
| Prepaid expenses and other current assets | 45,467 | 51,727 |
| | <hr/> | <hr/> |
| Total current assets | 382,712 | 432,893 |
| Restricted investments | 903 | 1,430 |
| Property and equipment, net | 88,987 | 108,062 |
| Other assets | 98,723 | 107,469 |
| | <hr/> | <hr/> |
| | \$ 571,325 | \$ 649,854 |
| | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable | \$ 76,631 | \$ 76,507 |
| Accrued compensation | 36,809 | 38,916 |
| Income taxes payable | 18,803 | 22,666 |
| Other current liabilities | 136,430 | 126,987 |
| Current portion of long-term debt | 22,477 | 16,894 |
| Deferred revenue | 141,189 | 149,434 |
| | <hr/> | <hr/> |
| Total current liabilities | 432,339 | 431,404 |

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| | | |
|-----------------------------|------------|------------|
| Long-term debt | 302,839 | 291,956 |
| Other liabilities | 76,478 | 91,385 |
| | <hr/> | <hr/> |
| Total liabilities | 811,656 | 814,745 |
| Total stockholders' deficit | (240,331) | (164,891) |
| | <hr/> | <hr/> |
| | \$ 571,325 | \$ 649,854 |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: January 21, 2004

By: /s/ Sandra M. Escher
Sandra M. Escher
Senior Vice President and General Counsel

EXHIBIT INDEX

| EXHIBIT NUMBER | DOCUMENT DESCRIPTION |
|-------------------|---|
| 99.1 | Earnings Press Release dated January 21, 2004 |
