

SYSTEMAX INC
Form 8-K
March 02, 2004

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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) March 2, 2004

Systemax Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

1-13792

(Commission File
number)

11-3262067

(I.R.S. Employe
Identification No.)

11 Harbor Park Drive, Port Washington, New York 11050

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(516) 608-7000**

Item 12. Results of Operation and Financial Condition.

The following press release regarding Fourth Quarter and Year-End 2003 financial results was issued by the Company on March 2, 2004:

FOR IMMEDIATE RELEASE

INVESTOR CONTACT:
Steven M. Goldschein
516 608-7000

SYSTEMAX REPORTS FOURTH QUARTER AND YEAR END RESULTS

PORT WASHINGTON, NY, March 2, 2004 Systemax Inc. (NYSE:SYX), a leading direct marketer and manufacturer of PC hardware, related computer products and industrial products in North America and Europe, today announced results for the fourth quarter and year ended December 31, 2003.

Net sales for the fourth quarter increased 8.5% to \$437.5 million compared to \$403.3 million in the year ago quarter. Net income for the quarter was \$533,000 (\$.02 per fully diluted share) compared to \$1.0 million (\$.03 per fully diluted share) during the same period last year. The sales increase was primarily the result of increased consumer and e-commerce sales in the US and the impact of a weak US dollar in Europe. Results in 2003 include pretax restructuring and other charges totaling \$2.9 million relating to excess facilities. Restructuring and other charges totaled \$1.4 million in 2002. Excluding the effects of the restructuring and other charges, net income would have been \$2.5 million or \$.07 per fully diluted share compared to \$1.9 million or \$.06 per fully diluted share last year.

Net sales for the year ended December 31, 2003 increased 6.8% to \$1.66 billion from \$1.55 billion last year. Net income for 2003 was \$5.6 million (\$.16 per fully diluted share) compared to a net loss of \$58.9 million (\$1.73 per fully diluted share) last year. Excluding the effects of restructuring and other charges recorded in 2003 and 2002 and the goodwill write-off recorded in 2003, net income would have been \$9.1 million or \$.26 per fully diluted share compared to \$3.0 million or \$.09 per fully diluted share for last year.

(A reconciliation between income (loss) from operations, as reported in accordance with GAAP, and pro forma net income, excluding the adjustments discussed above, has been provided.)

Richard Leeds, Chairman and Chief Executive Officer, commented that the Company's consumer and e-commerce activities continued to achieve strong sales growth during the fourth quarter, led by our Tiger Direct subsidiary's record quarterly sales. Sales to business customers in the US were lower than last year. European sales stated in local currencies were flat and results were lower than the same quarter last year due to reduced gross margins resulting from competitive pricing pressure. For 2003, European sales were down 6% in local currency and a small loss from operations was incurred.

Mr. Leeds also commented, "During the last few quarters we have been carefully evaluating the results of our US computer businesses with a view to establishing the most efficient model to serve our broad spectrum of customers. With the recent implementation of certain new information systems, we have begun the process of streamlining the back office and warehousing operations. This will yield cost savings by eliminating duplication of effort in marketing, sales support, purchasing, credit and collections and warehousing. As recently announced, first quarter results will include a pretax charge of approximately \$3 million in connection with the streamlining and cost reductions. These changes should enable us to return to improved levels of profitability during 2004."

Steven Goldschein, Chief Financial Officer, noted that the Company has continued to carefully manage its working capital assets. Short-term borrowings have been kept to minimum levels, with no domestic US borrowings in more than two years. The overall inventory level has increased since last year as the percentage of shipments from stock has increased with the growth of e-commerce and consumer sales. Inventory levels are closely monitored and adjusted quickly to changes in the level of business activity.

Richard Leeds also announced today that Robert Dooley, Director and Senior Vice President-Sales and Marketing, after 22 years of dedicated service, is resigning his position and directorship and is leaving the Company to pursue other business interests.

Systemax Inc. (www.systemax.com) has developed an integrated system of branded e-commerce web sites, direct mail catalogs, infomercials and relationship marketers to sell PC hardware, related computer products and industrial products in North America and Europe. Systemax Inc. is a Fortune 1000 company.

SYSTEMAX INC.
Condensed Consolidated Statements of Operations
(In thousands, except per share and share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
Net Sales	\$437,508	\$403,347	\$1,657,778	\$1,550,000
Cost of Sales	372,353	336,272	1,389,509	1,280,000
Gross Profit	65,155	67,075	268,269	270,000
Selling, General & Admin Expenses	61,155	61,733	251,460	250,000
Restructuring and Other Charges	2,886	1,350	1,726	1,000
Goodwill Impairment			2,560	
Income (Loss) From Operations	1,114	3,992	12,523	(7,000)
Interest And Other Expense, net	514	305	1,589	(1,000)
Income (Loss) Before Income Taxes	600	3,687	10,934	(9,000)
Provision (Benefit) For Income Taxes	67	2,686	5,323	(1,000)
Income (Loss) Before Cumulative Effect of Change in Accounting Principle	533	1,001	5,611	(7,000)
Cumulative Effect of Change in Accounting Principle, net of tax				(50,000)
Net Income (Loss)	\$533	\$1,001	\$5,611	\$(58,000)
Net Income (Loss) Per Common Share, Basic and Diluted:				
Income (Loss) Before Cumulative Effect of Change in Accounting Principle, net of tax	\$.02	\$.03	\$.16	\$.00
Cumulative Effect of Change in Accounting Principle, net of tax				(0.00)
Net Income (Loss)	\$.02	\$.03	\$.16	\$(0.00)
Weighted Average Common And Common Equivalent Shares:				
Basic	34,283,270	34,104,290	34,164,093	34,100,000
Diluted	35,260,031	34,104,290	34,879,546	34,100,000

SYSTEMAX INC.

Condensed Consolidated Balance Sheets

(in thousands)

	December 31, 2003	December 31, 2002
CURRENT ASSETS:		
Cash and cash equivalents	\$38,702	\$62,995
Accounts receivable, net	152,435	148,554
Inventories	133,905	98,401
Prepaid expenses and other current assets	36,981	40,416

Edgar Filing: SYSTEMAX INC - Form 8-K

Total Current Assets	362,023	350,366
Property, plant and equipment, net	68,647	71,133
Other assets	14,982	16,405
	-----	-----
TOTAL	\$445,652	\$437,904
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and notes payable to banks	\$20,814	\$21,211
Accounts payable, accrued expenses and other current liabilities	192,143	195,859
	-----	-----
Total Current Liabilities	212,957	217,070
Long-term debt	18,353	17,519
Other liabilities	1,768	1,398
	-----	-----
Stockholders' equity	212,574	201,917
	-----	-----
TOTAL	\$445,652	\$437,904
	=====	=====

Systemax Inc.

Reconciliation of income (loss) from operations reported in accordance with GAAP to net income excluding certain charges

(In thousands, except per share data)

(Unaudited)

	Three months ended December 31,		Year ended December 31,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Income (loss) from operations	\$1,114	\$3,992	\$12,523	\$(7,700)
Adjustments:				
Goodwill impairment (1)			2,560	
Restructuring and other charges (2)	2,886	1,350	1,726	17,000
Income from operations excluding certain charges, before interest and income taxes	4,000	5,342	16,809	9,000
Interest and other expense, net	514	305	1,589	1,000
Income excluding certain charges, before income taxes	3,486	5,037	15,220	8,000
Provision for income taxes	993	3,091	6,082	5,000
Net income, excluding certain charges	\$2,493	\$1,946	\$9,138	\$3,000
	=====	=====	=====	=====
Net income, excluding certain charges per diluted share	\$.07	\$.06	\$.26	\$.09
Diluted weighted average shares outstanding	35,260	34,104	34,880	34,000
	=====	=====	=====	=====

- (1) The \$2.6 million goodwill impairment charge occurred during the second quarter of 2003. The Company purchased the minority shares in its Netherlands subsidiary pursuant to the terms of the original purchase agreement. The entire purchase price was attributable to goodwill and as a result of an impairment analysis, was written off.
- (2) The \$2.9 million restructuring charge in the fourth quarter of 2003 is comprised of excess facilities costs in the United States and the United Kingdom. Restructuring and other charges for the year ended December 31, 2003

includes the reversal of a \$1.3 million reserve no longer needed as a result of a litigation settlement. The \$1.4 million restructuring charge in the fourth quarter of 2002 resulted from a plan to consolidate the Company's United Kingdom facilities into a newly constructed facility. The results for the year ended December 31, 2002 include a \$13.2 million write-off resulting from the Company's decision to discontinue development of internal-use computer software and \$4.1 million of restructuring charges.

NOTE - The above reconciliation is intended to present Systemax's operating results, excluding certain charges and providing income taxes at local effective tax rates. This reconciliation is not in accordance with, or an alternative method for, accounting principles generally accepted in the United States of America, and may be different from similar measures presented by other companies. Management of the Company believes that the presentation of this financial measure facilitates meaningful comparison with prior periods.

Forward-Looking Statements

This press release contains forward-looking statements about the Company's performance. These statements are based on management's estimates, assumptions and projections and are not guarantees of future performance. The Company assumes no obligation to update these statements. Actual results may differ materially from results expressed or implied in these statements as the result of risks, uncertainties and other factors including, but not limited to: (a) unanticipated variations in sales volume, (b) economic conditions and exchange rates, (c) actions by competitors, (d) the continuation of key vendor relationships, (e) the ability to maintain satisfactory loan agreements with lenders, (f) risks associated with the delivery of merchandise to customers utilizing common carriers, (g) the operation of the Company's management information systems, and (h) unanticipated legal and administrative proceedings. Please refer to the Forward Looking Statements section contained in Item 7 of the Company's Form 10-K for a more detailed explanation of the inherent limitations in such forward-looking statements.

-- End

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 therunto duly authorized.

Date: March 2, 2004

SYSTEMAX INC.

By: /s/ Steven M. Goldschein
Steven M. Goldschein
Senior Vice President and
Chief Financial Officer