

MANUFACTURERS SERVICES LTD
Form 8-K
February 04, 2004

**UNITED STATES
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)

February 2, 2004

MANUFACTURERS SERVICES LIMITED

(Exact name of registrant as specified in charter)

DELAWARE
(State or other jurisdiction
of incorporation)

001-15883
(Commission
File Number)

04-3258036
(IRS Employer
Identification No.)

300 BAKER AVENUE, CONCORD, MA
(Address of principal executive offices)

01742
(Zip Code)

Registrant's telephone number, including area code **(978) 287-5630**

NOT APPLICABLE

(Former name or former address, if changed since last report.)

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

On February 2, 2004 the registrant released its financial results for the fourth quarter of fiscal 2003 and for fiscal year 2003 as a whole.

Revenues for the quarter were \$293.4 million, a sequential increase of 55% compared to the third quarter of 2003 and an increase of 40% from the same period a year ago. Net loss under Generally Accepted Accounting Principles (GAAP) for the fourth quarter of 2003 was \$8.8 million, compared to a net loss of \$5.2 million in the third quarter of 2003 and a net loss of \$5.3 million in the comparable period of the prior year. Including the impact of accretion and dividends on its convertible preferred stock, the Registrant reported a GAAP net loss applicable to common stockholders of \$10.2 million, or \$0.30 per share in the fourth quarter of 2003 as compared to a net loss of \$6.5 million or \$0.19 per share in the third quarter of 2003 and a net loss of \$6.3 million, or \$0.19 per share in the comparable period of the prior year.

At December 31, 2003, the Registrant had a cash balance of \$53.6 million, which exceeded by \$27.8 million its total debt, as compared to cash in excess of debt of \$30.6 million at September 28, 2003 and \$25.3 million at December 31, 2002. Net working capital days at December 31, 2003 were 29.5, a decrease of 13.3 days from 42.8 days at September 28, 2003. The Registrant used approximately \$2.2 million in cash from operations during the quarter in connection with ramping new business in the fourth quarter. The Registrant recorded \$5.2 million in restructuring charges primarily related to a lease termination and severance costs incurred in connection with the closure of the Athlone site and \$4.4 million of merger related expenses in the quarter.

For the year ended December 31, 2003, revenues were \$826 million, a 3% decrease from \$854 million in 2002. The GAAP net loss applicable to common stockholders was \$18.3 million, or \$0.54 per share in 2003 as compared to a net loss of \$23.4 million, or \$0.72 per share in 2002.

MANUFACTURERS SERVICES, LTD.
GAAP - CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------------|---------------------|----------------------------|---------------------|
| | Dec 31, 2003 | Dec 31, 2002 | Dec 31, 2003 | Dec 31, 2002 |
| Net sales | \$ 293,406 | \$ 208,955 | \$ 825,937 | \$ 853,745 |
| Cost of goods sold | 275,083 | 191,575 | 764,529 | 778,133 |
| Gross profit | 18,323 | 17,380 | 61,408 | 75,612 |
| Operating expenses: | | | | |
| Selling, general and administrative | 19,492 | 20,902 | 58,944 | 67,437 |
| Amortization expense | 63 | | 108 | 3,706 |
| Restructuring and asset writedowns | 5,197 | (1,163) | 10,790 | 13,488 |
| Other operating (income) expense | | | | (800) |
| Loss from operations | (6,429) | (2,359) | (8,434) | (8,219) |
| Interest expense, net | (1,257) | (783) | (4,359) | (6,979) |
| Loss from extinguishment of debt | | | | (4,031) |
| Gain (loss) on change in fair value of derivative | (500) | (1,640) | (200) | 530 |
| Foreign exchange gain (loss) | 49 | 80 | 477 | 115 |
| Loss before income taxes | (8,137) | (4,702) | (12,516) | (18,584) |
| Provision for income taxes | 663 | 646 | 1,369 | 2,144 |
| Net loss | \$ (8,800) | \$ (5,348) | \$ (13,885) | \$ (20,728) |
| Net loss applicable to common stockholders | \$ (10,189) | \$ (6,283) | \$ (18,292) | \$ (23,390) |
| Basic loss per share | | | | |
| Net loss applicable to common stockholders | \$ (0.30) | \$ (0.19) | \$ (0.54) | \$ (0.72) |
| Weighted average shares outstanding | 34,156 | 33,054 | 33,748 | 32,622 |
| Diluted loss per share | | | | |
| Net loss applicable to common stockholders | \$ (0.30) | \$ (0.19) | \$ (0.54) | \$ (0.72) |
| Weighted average shares outstanding | 34,156 | 33,054 | 33,748 | 32,622 |

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| | | | | | | | | |
|---|----|----------|----|---------|----|----------|----|----------|
| Net loss | \$ | (8,800) | \$ | (5,348) | \$ | (13,885) | \$ | (20,728) |
| Dividends on convertible preferred stock | | (878) | | (610) | | (2,707) | | (1,642) |
| Accretion on convertible preferred stock | | (511) | | (325) | | (1,700) | | (1,020) |
| Net loss available to common stockholders | \$ | (10,189) | \$ | (6,283) | \$ | (18,292) | \$ | (23,390) |

MANUFACTURERS SERVICES, LTD.
CONSOLIDATED BALANCE SHEETS
(In thousands)

| | (Unaudited) December 31, 2003 | December 31, 2002 |
|---|--|------------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 53,604 | \$ 48,955 |
| Accounts receivable, net | 166,750 | 109,083 |
| Inventories | 140,173 | 98,827 |
| Prepaid expenses and other current assets | 19,935 | 21,945 |
| Total current assets | 380,462 | 278,810 |
| Property and equipment, net | 44,956 | 34,659 |
| Goodwill, net | 6,447 | 8,441 |
| Other intangible assets, net | 839 | |
| Other assets | 10,270 | 9,497 |
| Total assets | \$ 442,974 | \$ 331,407 |
| LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt and capital lease obligations | \$ 3,226 | \$ 5,654 |
| Accounts payable | 204,849 | 127,085 |
| Accrued expenses and other current liabilities | 46,680 | 39,157 |
| Total current liabilities | 254,755 | 171,896 |
| Long-term debt and capital lease obligations | 22,614 | 18,003 |
| Other liabilities | 7,025 | 5,260 |
| Total liabilities | 284,394 | 195,159 |
| Convertible preferred stock | 59,029 | 35,551 |
| Stockholders equity | 99,551 | 100,697 |
| Total liabilities, convertible preferred stock and stockholders equity | \$ 442,974 | \$ 331,407 |

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 thereunto duly authorized:

MANUFACTURERS SERVICES LIMITED
(Registrant)

Date: February 3, 2004

By: /s/ Albert A. Notini
Albert A. Notini
Executive Vice President and
Chief Financial Officer