

PERFORMANCE TECHNOLOGIES INC \DE\  
Form 8-K  
October 27, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549  
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FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities and Exchange Act of 1934

Date of report (Date of earliest event reported): October 23, 2003

PERFORMANCE TECHNOLOGIES, INCORPORATED  
(Exact name of registrant as specified in charter)

Delaware  
(State or other jurisdiction of incorporation)

0-27460  
(Commission File No.)

16-1158413  
(IRS Employer Identification  
No. of Incorporation)

205 Indigo Creek Drive, Rochester, NY  
(Address of principal executive offices)

14626  
(Zip Code)

(585) 256-0200  
Registrant's telephone number, including area code

(Not Applicable)  
(Former Name or Former Address, if Changed Since last Report)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

- (c) Exhibits.  
(99.1) Press release issued by Performance Technologies, Incorporated  
on October 23, 2003.

Item 12. Results of Operations and Financial Condition.

On October 23, 2003, Performance Technologies, Incorporated announced its results of operations for the quarter and nine months ended September 30, 2003. A copy of the related press release is being furnished as Exhibit 99.1 to this Form 8-K.

SIGNATURES

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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.

PERFORMANCE TECHNOLOGIES, INCORPORATED

October 23, 2003

By:/s/ Donald L. Turrell

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Donald L. Turrell  
President and  
Chief Executive Officer

October 23, 2003

By:/s/ Dorrance W.Lamb

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Dorrance W. Lamb  
Chief Financial Officer and  
Vice President, Finance

Exhibit 99.1

For more information contact:  
Dorrance W. Lamb  
Chief Financial Officer  
Performance Technologies  
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<http://www.pt.com>  
[finance@pt.com](mailto:finance@pt.com)

Performance Technologies Reports Continued Revenue and  
Profit Growth in the Third Quarter

"Achieved Substantial Revenue and Earnings Progress  
Year-Over-Year"

ROCHESTER, NY - October 23, 2003 -- Performance Technologies, Inc. (Nasdaq NM: PTIX), a leading developer of embedded computing products and system-level solutions for the communications, military and commercial markets, today announced financial results for third quarter 2003.

Revenue in the third quarter 2003 was \$13.1 million, compared to \$4.0 million in the corresponding quarter a year earlier. The Computing Products Group, acquired in October 2002, contributed \$4.3 million to revenue in this period. Net income for the third quarter 2003 amounted to \$1.0 million, or \$.07 per diluted share, compared to a net loss amounting to \$1.2 million, or \$(-.10) per diluted share for the third quarter 2002, based on 13.0 million and 12.3 million shares outstanding, respectively. Third quarter 2002 results included expenses associated with a restructuring charge amounting to \$.4 million (pre-tax), or \$.02 per diluted share, and the class action settlement cost amounting to \$.1 million (pre-tax), or \$.01 per diluted share.

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Revenue for the nine months ended September 30, 2003 was \$36.7 million, compared to \$17.0 million in the corresponding period a year earlier. The Computing Products Group, acquired in October 2002, contributed \$15.4 million to revenue in this period. Net income for the first nine months of 2003 amounted to \$1.9 million, or \$.15 per diluted share, compared to a net loss amounting to \$.4 million, or \$(.03) per diluted share for the first nine months of 2002, based on 12.6 million and 12.4 million shares outstanding, respectively. Results for the first nine months of 2002 included restructuring charges amounting to \$.6 million (pre-tax), or \$.03 per diluted share, and the class action settlement cost amounting to \$.1 million (pre-tax), or \$.01 per share.

Cash and marketable securities amounted to \$26.0 million at September 30, 2003, compared to \$24.1 million at December 31, 2002 and no long-term debt existed at either date.

The following contains forward-looking statements within the meaning of the Securities Act of 1933 and Securities Exchange Act of 1934 and are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Performance Technologies Reports Continued Revenue and Profit Growth in the Third Quarter Page 2

Early in 2003, a corporate-wide effort was launched to reposition the Company to deliver fully managed, system-level platform solutions. This effort achieved an important milestone during the third quarter with the release of the IPnexus™ Advanced Managed Platform product line. This new line of platform solutions specifically addresses equipment manufacturers' requirements for an increased level of system integration and services from suppliers. This growing opportunity for the Company is the result of downsized engineering staffs and increased time-to-market pressures placed on equipment manufacturers. The Company's strategy addresses this trend by effectively enabling customers to replace proprietary or legacy platforms with the latest generation of fully managed system functionality.

"The Company has made significant progress in establishing itself as a comprehensive system-level platform and solutions supplier over the past twelve months as is evidenced by the recent design win announcements with Sun Microsystems and Stratus Technologies, both expected to be multi-million dollar revenue customers during 2004," said Donald Turrell, president and chief executive officer. "However, due to our customers' normal product cycles, none of the design wins associated with the Company's system-level solutions have yet to reach production. The potential revenue and earnings growth driven by this strategy is expected to be realized in 2004 and beyond. Thus far this year, management is pleased with the Company's positive revenue and profit growth; all of which is occurring in an environment where our customers' revenues have not yet begun to grow. We are also pleased with the significant upturn in the design activity the Company is experiencing as we penetrate the market with our expanded product and platform offering."

### Guidance

The Company's products are integrated into current and next-generation embedded systems infrastructure. Traditionally, design wins have been an important metric for management to judge the Company's product acceptance in its marketplace. Design wins reach production volumes at varying rates, generally beginning twelve to eighteen months after the design win occurs. A variety of risks such as schedule delays, cancellations, changes in customer markets and economic conditions can adversely affect a design win before production is reached, or during deployment. In addition, during difficult economic periods, a substantial

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portion of the Company's revenue is frequently derived from orders placed within the quarter and shipped in the final month of the quarter.

In the Company's target markets, capital spending appeared to stabilize during the fourth quarter 2002, however, very few companies in the Company's target markets are currently experiencing revenue growth. Starting in 2003, certain of the Company's customers began moving projects toward production and since mid-year, the Company's sales organization has seen a broad acceleration in design activity. During the third quarter 2003, the Company realized six design wins for its IPnexus and SEGway™ product families. Unfortunately, forward-looking visibility on customer orders continues to be very limited.

Based upon the current business mix, the current backlog and review of sales forecasts, management expects revenue to be \$12.0 million to \$13.0 million in the fourth quarter 2003. Gross margin is expected to be approximately 50.5% to 52.5%, reflecting continuing sequential improvement, and diluted per share earnings for the fourth quarter is expected to be between \$.05 and \$.08. The effective income tax rate for the fourth quarter is assumed to be 31%. The fourth quarter revenue guidance does not reflect orders from a customer that has contributed greater than 10% of the Company's revenue in each of the first three quarters of this year. This customer typically provides very little visibility on future orders but ordinarily would have placed orders for the fourth quarter by this time. Should this customer place orders, of the usual magnitude, for delivery in the fourth quarter, management would expect the Company to exceed this revenue and earnings guidance by a material amount.

More in-depth discussions of the Company's strategy and financial performance can be found in the Company's recent Annual and Quarterly Reports, on Form 10-K and Form 10-Q, as filed with the Securities and Exchange Commission.

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### About Performance Technologies

Performance Technologies (Nasdaq NM: PTIX) is a leading developer of unified embedded computing products and system-level solutions for the communications, military and commercial markets. Serving the industry for over 20 years, our packet-based products enable equipment manufacturers and carriers to provide highly available and fully-managed systems with time-to-market, performance and cost advantages.

Performance Technologies is headquartered in Rochester, New York. Additional operational and engineering facilities are located in San Diego and San Luis Obispo, California and Ottawa, Canada. For more information, visit [www.pt.com](http://www.pt.com).

### Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This press release contains forward-looking statements which reflect the Company's current views with respect to future events and financial performance, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and is subject to the safe harbor provisions of those Sections.

These forward-looking statements are subject to certain risks and uncertainties, and the Company's actual results could differ materially from those discussed in the forward-looking statements. These risks and uncertainties include, among other factors, general business and economic conditions, rapid or unexpected changes in technologies, cancellation or delay of customer orders including

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those relating to design wins, changes in the product or customer mix of sales, delays in new product development, customer acceptance of new products and customer delays in qualification of products. These statements should be read in conjunction with the audited Consolidated Financial Statements, the Notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company as of December 31, 2002, as reported in its Annual Report on Form 10-K, and other documents as filed with the Securities and Exchange Commission.

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A conference call will be held on Friday, October 24, 2003 at 10:00 a.m. EDT to discuss the Company's financial performance for the third quarter. All interested institutional investors can participate in the conference call by dialing (888) 423-7081. The conference call will also be available simultaneously for all other investors at (888) 701-8678. The conference ID number is 3438724. A digital recording will be available two hours after the completion of the conference from October 24 through October 27, 2003. To access Encore, US/Canada participants should dial (800) 642-1687 or for International/Local participants, dial (706) 645-9291 and enter the conference ID 3438724. A live Webcast of the conference call will also be available on the Performance Technologies Web site at [www.pt.com](http://www.pt.com). The Webcast will be archived to the Web site within two hours after the completion of the call.

### PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

#### ASSETS

	September 30, 2003	December 31, 2002
	-----	-----
	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 25,997,000	\$ 22,077,000
Marketable securities		2,006,000
Accounts receivable	6,627,000	6,622,000
Inventories	6,341,000	4,550,000
Prepaid expenses and other assets	403,000	942,000
Deferred taxes	1,667,000	1,574,000
	-----	-----
Total current assets	41,035,000	37,771,000
Property, equipment and improvements	2,617,000	3,012,000
Software development costs	2,468,000	2,068,000
Note receivable from unconsolidated company	1,000,000	1,000,000
Investment in unconsolidated company	1,080,000	1,353,000
	-----	-----
Total assets	\$ 48,200,000	\$ 45,204,000
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,414,000	\$ 1,926,000
Income taxes payable	1,108,000	502,000
Accrued expenses	3,515,000	3,213,000
	-----	-----
Total current liabilities	6,037,000	5,641,000
Deferred taxes	781,000	754,000
	-----	-----
Total liabilities	6,818,000	6,395,000
	-----	-----
Stockholders' equity:		
Preferred stock		
Common stock	133,000	133,000
Additional paid-in capital	10,448,000	10,961,000
Retained earnings	42,481,000	40,565,000
Treasury stock	(11,622,000)	(12,782,000)
Accumulated other comprehensive loss	(58,000)	(68,000)
	-----	-----
Total stockholders' equity	41,382,000	38,809,000
	-----	-----
Total liabilities and stockholders' equity	\$ 48,200,000	\$ 45,204,000
	=====	=====

PERFORMANCE TECHNOLOGIES, INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002  
(unaudited)

	Three Months Ended		
	2003	2002	
	-----	-----	-----
Sales	\$13,060,000	\$ 3,955,000	\$36,
Cost of goods sold	6,516,000	2,216,000	19,
	-----	-----	-----
Gross profit	6,544,000	1,739,000	17,
	-----	-----	-----
Operating expenses:			
Selling and marketing	1,514,000	855,000	4,
Research and development	2,513,000	1,576,000	7,
General and administrative	1,168,000	558,000	3,
Restructuring charge		410,000	
Class action legal settlement		143,000	
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Total operating expenses	5,195,000	3,542,000	15,
Income (loss) from operations	1,349,000	(1,803,000)	2,
Other income, net	150,000	95,000	
Income (loss) before income taxes and equity loss in unconsolidated company	1,499,000	(1,708,000)	3,
Income tax provision (benefit)	465,000	(529,000)	
Income (loss) before equity in loss of unconsolidated company	1,034,000	(1,179,000)	2,
Equity in loss of unconsolidated company, net of tax	(79,000)	(12,000)	(
Net income (loss)	\$ 955,000	\$ (1,191,000)	\$ 1,
Basic earnings (loss) per share	\$ .08	\$ (.10)	\$
Weighted average common shares	12,236,000	12,281,000	12,
Diluted earnings (loss) per share	\$ .07	\$ (.10)	\$
Weighted average common and common equivalent shares	13,004,000	12,281,000	12,