

TESSCO TECHNOLOGIES INC

Form 8-K

October 25, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

Revenues from public carriers and network operators showed a 7 percent year-over-year increase and a 6 percent sequential decline. Monthly buyers in this market declined 9 percent year-over-year and remained flat sequentially and purchases per customer grew year-over-year, but declined sequentially.

Network infrastructure product sales and gross profits increased year-over-year 19 percent and 21 percent, respectively, primarily driven by strong sales in fixed wireless broadband products, antenna systems, and tower site support products.

Mobile devices and accessories product sales and gross profits in our commercial/government markets increased year-over-year 31 percent and 27 percent, respectively, primarily as a result of increased sales of accessory products to retail customers.

Installation, test and maintenance product sales and gross profits increased year-over-year 2 percent and 25 percent, respectively. The increase in gross profits and gross profit margin was primarily driven by our expanded major repair components relationship, which, beginning this fiscal year, includes significant sales accounted for on a net basis.

Comparing the first six months of this fiscal year with the same six months of last year:

Total revenues and gross profit grew 26 percent and 20 percent, respectively.

Total commercial/government revenues and gross profits increased 16 percent and 19 percent, respectively.

Consumer sales and gross profits increased 42 percent and 23 percent, respectively.

Expenses increased 23 percent, exceeding the 20 percent increase in gross profit, largely driven by:

Increased freight costs;

Marketing and people costs related to expanded business generation activities and programs; and

Start-up expenses, primarily incurred during the first quarter of fiscal 2006, related to our new Configuration, Fulfillment and Delivery order processing system.

Net income declined 4 percent, while diluted earnings per share increased 1 percent.

Mr. Barnhill continued, TESSCO's goal is to be *Your Total Source*® supplier of the product and supply chain solutions required to build, maintain or use wireless systems to a broad base of commercial and government customers. Toward this end, we finalized new programs, which launched October 1st, designed to dramatically increase our base of customers and their monthly purchases. Specifically we:

Made the customer experience easier and more productive in the field, and on the phone and/or web;

Streamlined our price and delivery programs;

&#">CURRENT REPORT

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

Date of Report (Date of earliest event reported): **October 24, 2005**

Developed a new suite of our print and electronic *Solutions Guides*, *The Wireless Journal*®, market focused newsletters, and other knowledge tools;

Enhanced the feature sets and usability of TESSCO.com®; and

Launched a series of marketing campaigns to promote these changes across a much wider reach of current and potential customers.

While increasing our base of customer relationships and expanding our product, service and solutions offerings, we are intensely focused on improving our margins and returns. We have key initiatives to:

Lower product costs and inventories;

Lower vendor supply chain costs;

Re-engineer our processes;

Eliminate defects, errors and waste; and

Enhance the productivity of our Nevada and Maryland configuration, fulfillment and delivery centers.

Going forward, we are energized and excited that the momentum of *Delivering Everything for Wireless*[®] to a broad, diverse and expanding base of customers is accelerating. We will continue to remain very focused on our journey of building shareowner value.

Stock Buyback Program

On October 20, 2005, our Board of Directors authorized the purchase of an additional 450,000 shares of our outstanding common stock as part of our already existing Stock Buyback Program. The repurchase of an aggregate of 900,000 shares has now been authorized and, as of September 25, 2005, 399,003 shares have been purchased under this program, for \$4,113,100, or an average price of \$10.31 per share. Accordingly, up

to 500,997 shares remain available for repurchase, including the 450,000 additional shares authorized for repurchase on October 20, 2005. No timetable has been set for the completion of the program. On October 20, 2005, approximately 4,200,000 shares were outstanding.

Mr. Barnhill stated, We believe that our current per share price of \$12-13, which is approximately 85% of our current book value per share of \$15, does not accurately reflect the value and future prospects of TESSCO, and that the repurchase of our shares, when appropriate, is an excellent use of funds to enhance shareholder value.

Business Outlook

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The following statements and the statements above made by Robert Barnhill as to anticipated results, are based on current expectations. These statements are forward-looking, and actual results may differ materially.

Considering the progress of the business generation initiatives underway, which were discussed in our Business Outlook last quarter, and assuming that the trends continue, TESSCO now estimates that for the third quarter ending December 25, 2005, earnings per share will be in the range of \$0.15 to \$0.25.

A conference call will be held on October 25, 2005, at 10 a.m. ET to discuss the financial results for the second quarter of fiscal year 2006. The conference call will be Webcast live on the Internet at <http://www.tessco.com>.

TESSCO expects that its corporate representatives will meet privately during the quarter with investors, the media, investment analysts and others. At these meetings, TESSCO may reiterate the Business Outlook published in this press release. At the same time, TESSCO will keep this press release and Business Outlook publicly available on its Web site (www.tessco.com). However, the Business Outlook published in this press release reflects only the Company's current best estimate and the Company assumes no obligation to update the information contained in this press release, including the Business Outlook, at any time.

About TESSCO

TESSCO Technologies Incorporated is a value-added supplier of the product solutions needed to design, build, run, maintain or use wireless systems. TESSCO is committed to delivering, fast and complete, the product needs of wireless system operators, program managers, contractors, resellers, and self-maintained utility, transportation, enterprise and government organizations. As *Your Total Source*[®] supplier of mobile and fixed-wireless network infrastructure products, mobile devices and accessories, and installation, test and maintenance equipment and supplies, TESSCO assures customers of on-time availability, while streamlining their supply chain process and lowering inventories and total costs. To learn more, please visit TESSCO.com.

Forward-Looking Statements

This press release may contain forward-looking statements. These forward-looking statements may generally be identified by the use of the words may, will, expects,

anticipates, believes, estimates, and similar expressions and involve a number of risks and uncertainties. For a variety of reasons, actual results may differ materially from those described in or contemplated by any such forward-looking statement. Consequently, the reader is cautioned to consider all forward-looking statements in light of the risks to which they are subject.

We are not able to identify or control all circumstances that could occur in the future that may adversely affect our business and operating results. Included among the risks that could lead to a materially adverse impact on our business or operating results are the termination or non-renewal of limited duration agreements or arrangements with our vendors and affinity partners which are typically terminable by either party upon several months notice; loss of significant customers or relationships, including affinity relationships; loss of customers either directly or indirectly as a result of consolidation among large wireless service carriers and others within the wireless communications industry; the strength of the customers, vendors and affinity partners business; economic conditions that may impact customers ability to fund purchase of our products and services; our dependence on a relatively small number of suppliers and vendors, which could hamper our ability to maintain appropriate inventory levels and meet customer demand; failure of our information technology system or distribution system; technology changes in the wireless communications industry, which could lead to significant inventory obsolescence and/or our inability to offer key products that our customers demand; third-party freight carrier interruption; increased competition from competitors, including manufacturers or national and regional distributors of the products we sell and the absence of significant barriers to entry which could result in pricing and other pressures on profitability and market share; the possibility that, for unforeseen reasons, we may be delayed in entering into or performing, or may fail to enter into or perform, anticipated contracts or may otherwise be delayed in realizing or fail to realize anticipated revenues or anticipated savings; and inability to protect certain intellectual property, including systems and technologies on which we rely.

TESSCO Technologies Incorporated

Consolidated Statements of Income

Fiscal Quarters Ended			Six Months Ended	
September 25, 2005 (unaudited)	September 26, 2004 (unaudited)	June 26, 2005 (unaudited)	September 25, 2005 (unaudited)	September 26, 2004 (unaudited)

**TESSCO
Technologies
Incorporated**

(Exact name of registrant as specified in its charter)

Delaware **0-24746** **52-0729657**
(State or other (Commission (IRS
jurisdiction of File Employer
incorporation) Number) Identification
Number)

**11126 McCormick Road, Hunt Valley,
Maryland 21031**

(Address of principal executive offices) (Zip
Code)

(410) 229-1000

(Registrant's telephone number, including
area code)

Not Applicable

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

Check the appropriate box below if the
Form 8-K filing is intended to

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simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Revenues	\$ 137,632,800	\$ 115,689,700	\$ 148,323,300	\$ 285,956,100	\$ 226,294,700
Cost of goods sold	109,266,200	92,708,200	122,301,200	231,567,400	180,923,800
Gross profit	28,366,600	22,981,500	26,022,100	54,388,700	45,370,900
Selling, general and administrative expenses	25,543,500	20,313,000	23,959,800	49,503,300	40,298,600
Income from operations	2,823,100	2,668,500	2,062,300	4,885,400	5,072,300
Interest, net	29,100	39,200	38,000	67,100	77,400
Income before provision for income taxes	2,794,000	2,629,300	2,024,300		

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On October 24, 2005, the registrant issued a press release announcing its financial results for the second quarter of fiscal 2006. A copy of the press release is furnished as Exhibit 99.1 to this Form 8-K.

The information in this Item 2.02, including the Exhibit attached hereto, is furnished solely pursuant to Item 2.02 of this Form 8-K. Consequently, pursuant to this Item 2.02, it is not deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or Securities Act of 1933 if such subsequent filing specifically references this Form 8-K.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

	4,818,300
	4,994,900
Provision for income taxes	
	1,089,600
	1,025,400
	789,500
	1,879,100
	1,948,000

Net income

\$

1,704,400

\$

None.

(b) Pro Forma Financial Information.

None.

(c) Exhibits.

Exhibit No.
99.1

Description

Press Release dated October 24, 2005

1,603,900 \$ 1,234,800 \$ 2,939,200 \$ 3,046,900

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 hereunto duly authorized.

TESSCO Technologies Incorporated

Basic earnings per share	\$	0.40	\$	0.37	\$	0.29	\$	0.69	\$	0.69
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/s/ David M. Young

Diluted earnings per share in .0001pt;">By:

David M. Young
Acting Chief Financial
Officer, Vice President and
Corporate Secretary

Dated: October 24, 2005

EXHIBIT INDEX

Exhibit No.	Description					
99.1	Press Release dated October 24, 2005	0.40	\$	0.36	\$	0.29 \$ 0.69 \$ 0.68of Exhibit

E-1

TESSCO Technologies Incorporated

Consolidated Balance Sheets

	September 25, 2005 (unaudited)	March 27, 2005 (audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,251,400	\$ 3,880,800
Trade accounts receivable, net	38,058,600	60,907,400