

CSP INC /MA/
Form 8-K
July 31, 2003

UNITED STATES

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: July 31, 2003

CSP Incorporated

(Exact name of the registrant as specified in its charter)

Commission file number 0-10843

Massachusetts

(State or jurisdiction of
incorporation or organization)

04-2441294

(IRS Employer Identification
number)

43 Manning Road, Billerica, Massachusetts

(Address of principal executive offices)

01821-3901

(Zip Code)

(978) 663-7598

(Registrant's telephone number, including area code)

Form 8-K

CURRENT REPORT dated July 31, 2003

CSP Inc.

Item Financial Statements and Exhibits.

7.

(c) Exhibits

99.1 Press release announcing third quarter and year to date financial results, issued by CSP Inc. on July 29, 2003.

Item Regulation FD Disclosure (including Item 12 information).

9.

In accordance with Securities and Exchange Commission Release No. 33-8216, the following information, intended to be furnished under "Item 12. Results of Operations and Financial Condition," is instead furnished under this "Item 9. Regulation FD Disclosure."

On July 29, 2003, CSP Inc issued a press release announcing financial results for the third quarter and year to date for 2003. A copy of the press release is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

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CURRENT REPORT dated July 31, 2003

CSP Inc.

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.

CSP INC.

July 30, 2003

/s/Gary W. Levine

Gary W. Levine, Vice President-Finance and Principal Accounting Officer

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Exhibit 99.1

Contact: Gary Levine

Chief Financial Officer

CSP Inc.

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CSP INC. REPORTS THIRD-QUARTER FISCAL 2003 FINANCIAL RESULTS

BILLERICA, MA, July 29, 2003 - CSP Inc. (NASDAQ: CSPI), a provider of eBusiness solutions, IT systems integration services and dense cluster computing systems, today reported financial results for the third quarter of fiscal 2003 ended June 30, 2003.

For the third quarter of fiscal 2003, CSP Inc. reported sales of \$7.0 million compared with \$7.8 million for the year-earlier quarter. The Company reported a third-quarter net loss of \$340,000, or \$(0.10) per share, compared with a net loss of \$84,000, or \$(0.02) per share, for the third quarter of fiscal 2002.

For the nine-month period ended June 30, 2003, the Company reported sales of \$21.6 million for the nine months ended June 30, 2003, compared with sales of \$20.5 million in the year-earlier nine-month period. For the first nine months of 2003, the Company reported a net loss of \$.9 million, or \$(0.27) per share. This compares with net loss of \$1.9 million, or \$(0.55) per share, for the nine months ended June 30, 2002.

Stated Chairman, President and Chief Executive Officer, Alexander R. Lupinetti, "While the weak global economy continued to affect our financial results, we made significant progress in enhancing our capabilities to provide IT services on a global scale. At our Multicomputer business, we continued to move forward on the acquisition process for large, defense-related opportunities for our Linux-based multicomputers."

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"The highlight of the quarter was the acquisition of Technisource Hardware," continued Lupinetti. Technisource Hardware is a reseller of software and hardware products for IT infrastructure requirements and provides professional services related to systems integration. "The integration of Technisource into MODCOMP as its Systems and Solutions Division is proceeding as planned and the company's move into MODCOMP's Ft. Lauderdale headquarters was completed last week."

"The acquisition of Technisource complements our strategy to leverage MODCOMP's business process integration expertise to capitalize on opportunities created by the trend toward open systems," explained Lupinetti. "We have significant capabilities in IT systems integration and follow-on services through MODCOMP's German and UK subsidiaries. We now plan to use our expertise in high-value IT systems integration and our new U.S. capabilities through Technisource Hardware to raise our value proposition domestically."

"While the spending environment in Europe continues to be very sluggish, we are seeing opportunities for IT outsourcing solutions as well as for our network security solutions. We will continue to invest in our technologies in order to position the Company for growth when the economy rebounds," concluded Lupinetti.

Safe Harbor Statement

The Company wishes to take advantage of the 'Safe Harbor' provisions of the Private Securities Litigation Reform Act of 1995 with respect to statements that may be deemed to be forward-looking under the Act. Such forward-looking statements may include, but are not limited to, the integration of Technisource into MODCOMP, opportunities for

MODCOMP's network security and IT outsourcing solutions, expectations for CSP's MultiComputer business, investment in the Company's technologies, and the future growth of the Company. The Company cautions that numerous factors could cause actual results to differ materially from any forward-looking statements made by the Company. Such risks include general economic conditions, market factors, competitive factors and pricing pressures, and others described in the Company's filings with the SEC. Please refer to the section on forward-looking statements included in the Company's filings with the Securities and Exchange Commission.

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About CSP Inc.

Based in Billerica, Massachusetts and founded in 1968, CSP Inc. (NASDAQ: CSPI) and its subsidiaries develop and market Internet software for e-commerce solutions, image processing software, network management integration services, and high-performance computer systems. The MultiComputer Division supplies high-performance Linux cluster systems for a broad array of defense applications, including radar, sonar and surveillance signal processing. The Company's MODCOMP, Inc. subsidiary, founded in 1970, is a leading provider of Internet software solutions and systems integration. MODCOMP works with third parties to develop customized application solutions in the global e-commerce markets and has offices in the U.S., U.K., and Germany. More information about CSP is available on the company's Web site at www.cspi.com. To learn more about MODCOMP, Inc., consult www.modcomp.com. More information about Scanalytics, Inc., is available at www.scanalytics.com.

The consolidated statements of operations and consolidated balance sheets follow.

CSP INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (Amounts in thousands, except par value)

| | June 30 <u>2003</u> | September 30 <u>2002</u> |
|---|------------------------|-----------------------------|
| | (Unaudited) | |
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and short-term investments | \$12,474 | \$15,826 |
| Accounts receivable, net | 4,099 | 2,500 |
| Inventories | 2,190 | 2,834 |
| Other current assets | <u>1,482</u> | <u>1,133</u> |
| Total current assets | 20,245 | 22,293 |
| Property, equipment and improvements, net | 855 | 1,182 |
| Other assets: | <u>5,142</u> | <u>2,287</u> |
| Total assets | <u>\$26,242</u> | <u>\$25,762</u> |
| <u>Liabilities and Shareholders' Equity</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | <u>\$5,852</u> | <u>\$4,081</u> |

| | | |
|--|-----------------|-----------------|
| Total current liabilities | 5,852 | 4,081 |
| Deferred compensation and retirement plans | 7,936 | 7,373 |
| Shareholders' equity | <u>12,454</u> | <u>14,308</u> |
| Total liabilities and shareholders' equity | <u>\$26,242</u> | <u>\$25,762</u> |

CSP INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except for per share data)

/-For the three months ended-//-For the nine months ended-/

| | June 30, <u>2003</u> | June 30, <u>2002</u> | June 30, <u>2003</u> | June 30, <u>2002</u> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Sales: | | | | |
| Systems | \$1,869 | \$3,075 | \$4,135 | \$6,449 |
| Service and system integration | 4,510 | 3,719 | 15,503 | 11,385 |
| E-business software | 293 | 578 | 946 | 1,465 |
| Other software | <u>289</u> | <u>443</u> | <u>969</u> | <u>1,206</u> |
| Total sales | 6,961 | 7,815 | 21,553 | 20,505 |
| Cost of Sales: | | | | |
| Systems | 770 | 1,728 | 2,052 | 4,215 |
| Service and systems integration | 3,667 | 2,893 | 12,369 | 8,999 |
| E-business software | 159 | 373 | 511 | 851 |
| Other software | <u>43</u> | <u>122</u> | <u>202</u> | <u>345</u> |
| Total cost of sales | <u>4,639</u> | <u>5,116</u> | <u>15,134</u> | <u>14,410</u> |
| Gross profit | 2,322 | 2,699 | 6,419 | 6,095 |
| Operating expenses: | | | | |
| Engineering and development | 873 | 901 | 2,722 | 2,792 |
| Selling, general & administrative | <u>2,011</u> | <u>2,058</u> | <u>5,590</u> | <u>6,365</u> |
| Total operating expenses | <u>2,884</u> | <u>2,959</u> | <u>8,312</u> | <u>9,157</u> |
| Operating loss | (562) | (260) | (1,893) | (3,062) |
| Other income(expense): | | | | |
| Other income | <u>158</u> | <u>64</u> | <u>1,392</u> | <u>168</u> |
| Total other income, net | 158 | 64 | 1,392 | 168 |

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|---|------------------------|------------------------|------------------------|-------------------------|
| Income (loss) before income taxes | (404) | (196) | (501) | (2,894) |
| Income tax expense (benefit) | <u>(64)</u> | <u>(112)</u> | <u>438</u> | <u>(960)</u> |
| Net loss | <u>\$(340)</u> | <u>\$(84)</u> | <u>\$(939)</u> | <u>\$(1,934)</u> |
| Net loss per share - basic and diluted | <u>\$(0.10)</u> | <u>\$(0.02)</u> | <u>\$(0.27)</u> | <u>\$(0.55)</u> |
| Weighted average shares outstanding - basic | <u>3,537</u> | <u>3,523</u> | <u>3,533</u> | <u>3,522</u> |
| And diluted | | | | |