

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

MAGAL SECURITY SYSTEMS LTD

Form 6-K

November 05, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2007

MAGAL SECURITY SYSTEMS LTD.
(Name of Registrant)

P.O. Box 70, Industrial Zone, Yahud 56100 Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____

This Report on Form 6-K is incorporated by reference into the Registrant's Form F-3 Registration Statements File Nos. 333-9050 and 333-123265 and Form S-8 Registration Statement File No. 333-06246.

Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces Third Quarter

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

2007 Results dated November 5, 2007.

ITEM 1

Press Release

Source: Magal Security Systems Ltd

Magal Security Systems Ltd. Announces Third Quarter 2007 Results

Monday November 5, 7:30 am ET

Revenues for the Third Quarter Increased by 35.4% YOY

YAHUD, Israel, November 5 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq GM: MAGS; TASE: MAGS) today announced its consolidated financial results for the three and nine-month periods ended September 30, 2007. The results include the consolidation as of September 1, 2007, of its recently acquired European subsidiary, that is engaged in the installation and integration of security systems.

Third Quarter Results

Revenues for the third quarter of 2007 were US\$21.9 million, an increase of 35.4% compared with the third quarter of 2006 and an increase of 46.4% compared with second quarter of 2007.

Gross profit for the third quarter of 2007 reached US\$7.9 million, an increase of 14.8% over the third quarter of 2006 and an increase of 19.9 % compared with second quarter of 2007. Gross margin for the third quarter was 36.1%, compared with 42.6% in the third quarter of 2006 and 44.1% in the second quarter 2007. The lower gross margin was the result of a special and prestigious project for the Israeli government which bears a low margin.

Operating income for the third quarter of 2007, including a one-time charge of \$960,000, totaled US\$95,000, compared with US\$1.2 million for the third quarter of 2006, and compared with US\$761,000 in the second quarter 2007. The one-time charge relates to contractual post employment benefits for the Company's chairman who will retire at the end of the fourth quarter of 2007.

Financial expenses for the third quarter of 2007 totaled US\$981,000 and included approximately US\$700,000 of foreign exchange losses resulting from the devaluation of the US dollar against both the new Israeli Shekel and the Canadian dollar.

Income taxes for the third quarter of 2007 reached US\$749,000, which include a tax provision for final tax assessments in the amount of US\$500,000 relating to the years 2001-2004.

Net loss for the third quarter of 2007, including the one-time charge relating to post-employment benefits and the tax provision for final tax assessment relating to prior years, totaled US\$1.6 million, compared to net income of

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

US\$623,000 in the third quarter of 2006 and US\$342,000 in the second quarter of 2007. Diluted loss per share was US\$0.16, compared to diluted earnings per share of US\$0.06 in the third quarter of 2006.

Operating income, on a non-GAAP basis for the third quarter of 2007, which excludes the impact of the one-time post employment benefits charge of \$960,000, reached US\$1.1 million, a decrease of 14.1% over the third quarter of 2006, and a sequential increase of 38.6% over the second quarter of 2007. Operating margin for the quarter, excluding the one-time charge reached 4.8%, compared to 7.6% in the third quarter of 2006.

Net loss on a non-GAAP basis for the third quarter of 2007 was US\$367,000, or \$0.04 per fully diluted share.

Nine Month Results

Revenues for the first nine months of 2007 reached US\$51.9 million, an increase of 16.6% compared with the same period in 2006.

Gross profit for the first nine months of 2007 reached US\$21.0 million, an increase of 11.7% compared with the same period in 2006.

Operating income for the first nine months of 2007 reached US\$1.6 million, a decrease of 31.9% compared to US\$2.4 million in the same period in 2006. Excluding the one-time charge recorded in relation to the special post employment benefit, operating income on a non-GAAP basis for the first nine months of 2007 increased to US\$2.6 million, representing a 4.9% operating margin.

Net loss for the first nine months period of 2007 reached US\$1.0 million, compared to net income of US\$1.0 million in the same period in 2006. Diluted loss per share for the first nine months ended September 30, 2007 was US\$0.10, compared with diluted earnings per share of US\$0.10 in the same period of last year.

"We are very pleased to report another good quarter for the company in terms of generating strong revenues and signing new orders for our full basket of products, further expanding our global presence," commented Mr. Izhar Dekel, CEO of Magal. "We continue to generate strong demand for our products and expect to surpass 2006 in terms of revenues and excluding the one-time charges of this quarter, we expect that our operating profit will also surpass 2006."

Mr. Dekel continued, "This quarter we took another substantial step in our strategy of expanding our global presence and range of solutions offerings. During the quarter we completed the acquisition of a European company involved in the installation and integration of security systems that is active in geographic areas where Magal has historically had limited activity. This is a very important milestone for our company in terms of our expansion in the integration field, particularly in countries with strong growth potential. Furthermore, we continue to see increased demand for Magal's solutions from both the military and civilian space, worldwide."

Use of Non-GAAP Financial Information

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which Magal believes are the principal indicators of the operating and financial performance

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

of its business. The non-GAAP financial measures exclude the effects of one time post-employment benefit charges and a provision for final tax assessments for prior years. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of Magal's on-going core operations and prospects for the future, as the charges eliminated are not part of the day-to-day business or reflective of the core operational activities of the company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting future results and evaluating the company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.

Conference Call

The Company will be hosting a conference call later today at 10:00 am EST. On the call, Mr. Izhar Dekel, CEO and Mrs. Raya Asher, V.P. Finance & CFO, will review and discuss the results and will be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: 1-888-668-9141
UK Dial-in Number: 0-800-917-5108
Israel Dial-in Number: 03-918-0688
International Dial-in Number: +972-3-918-0688
at: 10:00 am Eastern Time; 7:00 am Pacific Time; 5:00
pm Israel Time

A replay of the call will be available from the day after the call. The link to the replay will be accessible from Magal's website at: <http://magal-ssl.com>.

About Magal Security Systems, Ltd.:

Magal Security Systems Ltd. (Magal) is engaged in the development, manufacturing and marketing of computerized security systems, which automatically detect, locate and identify the nature of unauthorized intrusions. Magal also supplies video monitoring services through Smart Interactive Systems, Inc., a subsidiary in the U.S. The Company's products are currently used in more than 70 countries worldwide to protect national borders, airports, correctional facilities, nuclear power stations and other sensitive facilities from terrorism, theft and other threats.

Magal trades under the symbol MAGS in the U.S. on the Nasdaq Global Market and in Israel on the Tel-Aviv Stock Exchange (TASE).

This press release contains forward-looking statements, which are subject to risks and uncertainties. Such statements are based on assumptions and expectations which may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial and

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

otherwise, may differ from the results discussed in the forward-looking statements. A number of these risks and other factors that might cause differences, some of which could be material, along with additional discussion of forward-looking statements, are set forth in the Company's Annual Report on Form 20-F filed with the Securities and Exchange Commission.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(All numbers except EPS expressed in
thousands of US\$)

	Nine Months Ended			Quarter Ended		
	2007	2006	% change	2007	2006	% change
Revenues	51,886	44,506	16.6	21,884	16,160	35.4
Cost of revenues	30,881	25,700	20.2	13,981	9,276	50.7
Gross profit	21,005	18,806	11.7	7,903	6,884	14.8
Operating expenses:						
Research and development, net	3,885	3,802	2.2	1,283	1,152	11.4
Selling and marketing	9,734	8,115	20.0	3,858	2,830	36.3
General and administrative	4,825	4,537	6.3	1,707	1,674	2.0
Special post employment benefit	960	-	-	960	-	-
Total operating expenses	19,404	16,454	17.9	7,808	5,656	38.0
Operating income	1,601	2,352	(31.9)	95	1,228	(92.3)
Financial expense, net	1,419	640	121.7	981	260	277.3
Income (loss) from continuing operations before income taxes	182	1,712	(89.4)	(886)	968	-
Income taxes	1,177	616	91.1	749	345	117.1
Net income						

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

(loss) from continuing operations	(995)	1,096	-	(1,635)	623	-
Loss on discontinued operations, net	-	55	-	-	-	-
Net income (loss)	(995)	1,041	-	(1,635)	623	-

Net income (loss) per share:

Basic	\$ (0.10)	\$ 0.10	-	\$ (0.16)	\$ 0.06	-
Diluted	\$ (0.10)	\$ 0.10	-	\$ (0.16)	\$ 0.06	-

Weighted average number of shares

Outstanding:

Basic	10,394	10,382	10,395	10,390
Diluted	10,442	10,447	10,429	10,435

FINANCIAL RATIOS

	Nine Months Ended September 30,		Quarter Ended September 30,	
	2007	2006	2007	2006
Gross margin	40.5	42.3	36.1	42.6
Research and development, net as a % of revenues	7.5	8.5	5.9	7.1
Selling and Marketing as a % of revenues	18.8	18.2	17.6	17.5
General and administrative as a % of revenues	9.3	10.2	7.8	10.4
Operating margin	3.1	5.3	0.4	7.6
Net income margin (after discontinued operation)	(1.9)	2.3	(7.5)	3.9

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Total bank debt to total capitalization	* 0.55	**0.43	* 0.55	**0.43
Current ratio	* 1.75	**2.12	* 1.75	**2.12

* As of September 30, 2007

** As of December 31, 2006

MAGAL SECURITY SYSTEMS LTD.
Reconciliation of GAAP to NonGAAP Measures
(Unaudited)
(All numbers except EPS expressed in
thousands of US\$)

	Quarter Ended September 30, 2007	
	GAAP	Non-GAAP
Revenues	\$ 21,884	\$ 21,884
Cost of revenues	13,981	13,981
Gross profit	7,903	7,903
Operating expenses:		
Research and development, net	1,283	1,283
Selling and marketing	3,858	3,858
General and administrative	1,707	1,707
Special post employment benefit	960	-
Total operating expenses	7,808	6,848
Operating income	95	1,055
Financial expense, net	981	981
Income (loss) from continuing operations before income taxes	(886)	74
Income taxes	749	441
Net income (loss) from continuing operations	(1,635)	(367)
Loss on discontinued operations, net	-	-
Net income (loss)	\$ (1,635)	\$ (367)

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

Net income (loss) per share:

Basic	\$ (0.16)	\$ (0.04)	
-------	-----------	-----------	--

Diluted	\$ (0.16)	\$ (0.04)	
---------	-----------	-----------	--

Weighted average number
of shares outstanding:

Basic	10,395	10,395	
-------	--------	--------	--

Diluted	10,429	10,429	
---------	--------	--------	--

Non-GAAP net income (loss)		\$ (367)	
----------------------------	--	----------	--

Reconciliation items:

Special post employment benefit		(960)	
------------------------------------	--	-------	--

Income taxes with respect to Special post employment benefit		192	
--------------------------------------------------------------------	--	-----	--

Income taxes *		(500)	
----------------	--	-------	--

GAAP net loss		\$ (1,635)	
---------------	--	------------	--

*) final tax assessments relating to the years 2001-2004.

FINANCIAL RATIOS	GAAP	Non-GAAP	
------------------	------	----------	--

Gross margin	36.1	36.1	
--------------	------	------	--

Research and development, net as a % of revenues	5.9	5.9	
-----------------------------------------------------	-----	-----	--

Selling and Marketing as a % of revenues	17.6	17.6	
---------------------------------------------	------	------	--

General and administrative as a % of revenues	7.8	7.8	
--------------------------------------------------	-----	-----	--

Operating margin	0.4	4.8	
------------------	-----	-----	--

Net income margin (after discontinued operation)	(7.5)	(1.7)	
-----------------------------------------------------	-------	-------	--

MAGAL SECURITY SYSTEMS LTD.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(All numbers expressed in thousands of US\$)

September 30,	December 31,
------------------	-----------------

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,447	\$ 4,908
Marketable securities	4,105	3,067
Short term bank deposits	14,841	14,186
Trade receivables	28,624	28,027
Unbilled accounts receivable	7,475	5,389
Other accounts receivable and prepaid expenses	4,887	3,995
Deferred income taxes	2,120	1,604
Inventories	16,395	13,971
Total current assets	84,894	75,147
Long term investments and receivables:		
Long-term trade receivables	281	224
Long-term loans	715	622
Long-term bank deposits	1,800	4,800
Severance pay fund	2,592	2,401
Total long term investments and receivables	5,388	8,047
PROPERTY AND EQUIPMENT, NET	14,148	14,366
OTHER ASSETS, NET	16,494	6,121
Total assets	\$ 120,924	\$103,681
CURRENT LIABILITIES:		
Short-term bank credit	\$ 25,013	\$ 17,026
Current maturities of long-term bank debt	795	795
Trade payables	10,295	6,001
Other accounts payable, accrued expenses and customer advances	12,517	11,608
Total current liabilities	48,620	35,430

Edgar Filing: MAGAL SECURITY SYSTEMS LTD - Form 6-K

LONG-TERM LIABILITIES:

Long-term bank debt	7,937	7,399
Long-term accounts payable	-	178
Accrued severance pay	3,346	2,524
Total long-term liabilities	11,283	10,101
SHAREHOLDERS' EQUITY	61,021	58,150
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 120,924	\$103,681

Contacts:

Company	Investor Relations
Magal Security Systems, Ltd	Gelbart Kahana Investor Relations
Raya Asher, CFO	Ehud Helft/Kenny Green
Tel: +972-3-5391444	Tel: +1-866-704-6710
E-mail: magalssl@trendline.co.il	E-mail: info@gkir.com

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.

MAGAL SECURITY SYSTEMS LTD.
(Registrant)

By: /s/ Izhar Dekel

Izhar Dekel
Chief Executive Officer

Date: November 5, 2007