HAVANT, United Kingdom, Oct. 3, 2013 /PRNewswire/ -- Xyratex Ltd (Nasdaq: XRTX), a leading provider of data storage technology, today announced results for the third fiscal quarter ended August 31, 2013. Revenues for the third quarter were $217.3 million, a decrease of 21% compared to revenues of $275.7 million for the same period in the prior year. The decline year over year was principally related to the continued reduction in revenue from NetApp with the current program coming to an end in our current quarter as previously announced.

For the third quarter, GAAP net income was $2.4 million, or $0.08 per diluted share, compared to GAAP net income of $7.7 million, or $0.28 per diluted share, in the same period last year. Non-GAAP net income was $5.9 million, or $0.21 per diluted share, compared to non-GAAP net income of $10.3 million

, or $0.37 per diluted share, in the same quarter a year ago [1].

Gross profit margin in the third quarter was 20.9%, compared to 18.5% in the same period last year and 22.0% in the prior quarter. The increase from last year primarily reflected a favorable variation in customer and product mix in our Enterprise Data Storage Solutions product segment. The decrease from the prior quarter primarily reflected a variation in product mix in our Hard Disk Drive (HDD) Capital Equipment segment.

Today, the Company also announced that its Board of Directors has approved a quarterly cash dividend of $0.075 per share, unchanged from the prior quarter. The dividend will be payable on November 1, 2013 to shareholders of record as of the close of business on October 17, 2013. This dividend represents a quarterly payout of approximately $2.1 million in aggregate, or $8.4 million on an annualized basis.

"Our third quarter results were at the higher end of our expectations, reflecting lower overall expenses and approximately $5 million of revenue from the HDD Capital Equipment business which had previously been planned for the fourth quarter. I am encouraged by the improvements in our customer relationships and our investments in technology, specifically around cloud and flash, and the opportunities that I believe will be created as a result. In our Enterprise Data Storage Solutions business, we recently introduced our 12Gb/s SAS technology into our Onestor line of enterprise class modular storage enclosure. This first-to-market technology has recently been accepted as the next generation technology by one of our significant Tier 1 customers, which is a significant opportunity for Xyratex," said Ernie Sampias, CEO. "Within our Clusterstor product line, we achieved a number of design wins during the third quarter in vertical markets including academia, oil and gas and the financial sector. Our HDD Capital Equipment business continues to work very closely with our HDD partners. I am encouraged with the opportunities that are being created as a result of these partnerships such as technologies that support higher capacity HDDs."

Business Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

- Revenue in the fourth fiscal quarter of 2013 is projected to be in the range of $190 million to $220 million
.
- Fully diluted earnings (loss) per share is anticipated to be between a loss of $0.09 and earnings of
$0.15
on a GAAP basis in the fourth quarter. On a non-GAAP basis, fully diluted earnings (loss) per share is anticipated to be between a loss of
$0.04
and earnings of
$0.20
. Anticipated non-GAAP earnings (loss) per share in our fourth quarter excludes amortization of intangible assets, equity compensation expense, specified non-recurring items and related taxation expense.

Conference Call Information

The company will host a conference call to discuss its results at 1:30 p.m. PT/4:30 p.m. ET on Thursday October 3, 2013
.

The conference call can be accessed online via the company's website, www.xyratex.com/investors, or by telephone as follows:

United States

(866) 543-6403

Outside the United States

(617) 213-8896

Passcode

90934976

A replay will be available via the company's website www.xyratex.com/investors , or can be accessed by telephone through October

United States

(888) 286-8010

Outside the United States

(617) 801-6888

Passcode

48412946

(1) Non-GAAP net income and diluted earnings per share exclude (a) amortization of intangible assets, (b) equity compensation expense, (c) the tax effects related to (a) and (b), (d) the recognition of a Malaysia deferred tax asset in the first quarter of fiscal 2012 and (e) the tax expense resulting from a reduction in the deferred tax asset caused by a fall in U.K. tax rates. Reconciliation of non-GAAP net income and diluted earnings per share to GAAP net income and GAAP diluted earnings per share is included in a table immediately following the condensed consolidated statements of cash flow.

The intention in providing these non-GAAP measures is to provide supplemental information regarding the company's operational performance while recognizing that they have material limitations and that they should only be referred to with reference to, and not considered to be a substitute for, or superior to, the corresponding GAAP measure. The financial results calculated in accordance with GAAP and reconciliations of these non-GAAP measures to the comparable GAAP measures should be carefully evaluated. The non-GAAP financial measures used by us may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

The company believes that the provision of these non-GAAP financial measures is useful to investors and investment analysts because it enables comparison to the company's historical operating results, those of competitors and other industry participants and also provides transparency to the measures used by management in operational and financial decision making. In relation to the specific items excluded: (a) intangible assets represent costs incurred by the acquired business prior to acquisition, are not cash costs and will not be replaced when the assets are fully amortized and therefore the exclusion of these costs provides management and investors with better visibility of the costs required to generate revenue over time; (b) equity compensation expense is non-cash in nature and is outside the control of management during the period in which the expense is incurred; (c) the exclusion of the related tax effects of excluding items (a) and (b) is necessary to show the effect on net income of the change in tax expense that would have been recorded if these items had not been incurred; (d) the recognition of the Malaysia deferred tax asset relates to the non-renewal of certain tax incentive arrangements in 2012, is non-recurring and will reverse if the incentive arrangements are renewed and (e) the impact of the reduction in U.K. tax rates is non-cash and not comparable across periods or with other companies due to the existence of a significant U.K. related deferred tax asset which is expected to reduce over time.

Safe Harbor Statement

This press release contains forward–looking statements. These statements relate to future events or our future financial performance, including our projected revenue and fully diluted earnings (loss) per share data (on a GAAP and non-GAAP basis) for the fourth quarter. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Factors that might cause such a difference include our inability to retain major customers and meet the required technical and performance specifications of our products in a timely manner or at all, the cyclical nature of the markets in which we operate, changes in our customers' volume requirements, our inability to compete successfully in the competitive and rapidly changing marketplace in which we operate, deterioration in global economic conditions, diminished growth in the volume of digital information, patent infringement claims and our inability to protect our intellectual property and the impact of natural disasters. These risks and other factors include those listed under "Risk Factors" and elsewhere in our Annual Report on Form 20-F as filed with the Securities and Exchange Commission (File No. 001-35766). In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue," or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

About Xyratex

Xyratex is a leading provider of data storage technology, including modular solutions for the enterprise data storage industry, and HDD capital equipment for the HDD industry. Xyratex enterprise data storage platforms provide a range of advanced, scalable data storage solutions for the Original Equipment Manufacturer and High Performance Computing communities. As the largest capital equipment supplier to the HDD industry, Xyratex enables disk drive manufacturers and their component suppliers to meet today's technology and productivity requirements. Xyratex has over 25 years of experience in research and development relating to disk drives, storage systems and manufacturing process technology.

Founded in 1994 in an MBO from IBM, and with headquarters in the UK, Xyratex has an established global base with R&D and operational facilities in North America, Asia and Europe.

Website: www.xyratex.com

XYRATEX LTD

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended,

Nine Months Ended,

August 31,

August 31,

August 31,

August 31,

2013

2012

2013

2012

(US dollars in thousands, except per share amounts)

Revenues

$ 217,282

$ 275,670

$ 629,064

$ 893,452

Cost of revenues

171,783

224,653

499,098

736,121

Gross profit

45,499

51,017

129,966

157,331

Operating expenses:

Research and development

23,610

25,308

73,805

77,231

Selling, general and administrative

16,418

17,192

51,133

50,925

Restructuring costs

1,073

-

2,815

-

Amortization of intangible assets

557

617

1,605

2,537

Total operating expenses

41,658

43,117

129,358

130,693

Operating income

3,841

7,900

608

26,638

Interest income, net

80

283

207

623

Income before income taxes

3,921

8,183

815

27,261

Provision for income taxes

1,571

437

655

1,658

Net income

$ 2,350

$ 7,746

$ 160

$ 25,603

Net earnings per share:

Basic

$ 0.09

$ 0.29

$ 0.01

$ 0.93

Diluted

$ 0.08

$ 0.28

$ 0.01

$ 0.90

Weighted average common shares (in thousands), used in computing net earnings per share:

Basic

27,558

27,171

27,439

27,674

Diluted

27,876

27,764

27,855

28,423

Cash dividends declared per share

$ 0.08

$ 0.08

$ 2.23

$ 0.22

Comprehensive income (loss):

Net income

$ 2,350

$ 7,746

$ 160

$ 25,603

Unrealized gain (loss) on forward foreign currency contract

(259)

885

(2,308)

627

Reclassification of loss into net income

183

374

385

710

Total comprehensive income (loss)

$ 2,274

$ 9,005

$ (1,763)

$ 26,940

XYRATEX LTD

CONDENSED CONSOLIDATED BALANCE SHEETS

August 31,

November 30,

2013

2012

(US dollars and amounts in thousands)

ASSETS

Current assets:

Cash and cash equivalents

$ 79,416

$ 117,174

Accounts receivable, net

127,580

132,917

Inventories

149,525

171,605

Prepaid expenses

5,233

3,134

Deferred income taxes

205

228

Other current assets

7,831

7,121

Total current assets

369,790

432,179

Property, plant and equipment, net

41,076

40,194

Intangible assets, net

14,725

14,975

Deferred income taxes

25,977

23,929

Total assets

$ 451,568

$ 511,277

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable

$ 87,393

$ 82,125

Employee compensation and benefits payable

16,637

17,961

Deferred revenue

13,390

18,521

Income taxes payable

938

369

Other accrued liabilities

18,713

17,767

Total current liabilities

137,071

136,743

Long-term debt

-

-

Total liabilities

$ 137,071

$ 136,743

Shareholders' equity

Common shares (in thousands), par value $0.01 per share

70,000 authorized, 27,558 and 27,024 issued and outstanding

$ 276

$ 270

Additional paid-in capital

313,887

354,593

Accumulated other comprehensive income (deficit)

(1,060)

863

Accumulated income

1,394

18,808

Total shareholders' equity

314,497

374,534

Total liabilities and shareholders' equity

$ 451,568

$ 511,277

XYRATEX LTD

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended,

August 31,

August 31,

2013

2012

(US dollars in thousands)

Cash flows from operating activities:

Net income

$ 160

$ 25,603

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation

11,998

12,528

Amortization of intangible assets

1,605

2,537

Non-cash equity compensation

1,898

5,048

Loss on sale of assets

-

1,183

Deferred income taxes

(1,414)

171

Changes in assets and liabilities, net of impact of acquisitions and divestitures:

Accounts receivable

5,337

57,537

Inventories

22,080

(44,928)

Prepaid expenses and other current assets

(3,960)

2,395

Accounts payable

5,268

(63,823)

Employee compensation and benefits payable

(1,324)

(5,395)

Deferred revenue

(5,131)

16,658

Income taxes payable

569

178

Other accrued liabilities

(437)

(3,634)

Net cash provided by operating activities

36,649

6,058

Cash flows from investing activities:

Investments in property, plant and equipment

(12,880)

(11,568)

Payment for acquisition of intangible assets

(1,355)

(3,500)

Net cash used in investing activities

(14,235)

(15,068)

Cash flows from financing activities:

Proceeds from issuance of shares

-

661

Repurchase of shares

-

(13,600)

Dividends to shareholders

(60,172)

(7,504)

Net cash used in financing activities

(60,172)

(20,443)

Change in cash and cash equivalents

(37,758)

(29,453)

Cash and cash equivalents at beginning of period

117,174

132,630

Cash and cash equivalents at end of period

$ 79,416

$ 103,177

XYRATEX LTD

SUPPLEMENTAL INFORMATION

Three Months Ended

Nine Months Ended

August 31,

August 31,

August 31,

August 31,

Summary Reconciliation Of GAAP Net Income To Non-GAAP Net Income

2013

2012

2013

2012

(US dollars in thousands, except per share amounts)

(US dollars in thousands, except per share amounts)

GAAP net income

$ 2,350

$ 7,746

$ 160

$ 25,603

Amortization of intangible assets

557

617

1,605

2,537

Equity compensation

1,226

1,203

1,898

5,048

Tax effect of above non-GAAP adjustments

(357)

(482)

(753)

(1,924)

Effect of changes in tax rates

2,104

1,239

2,104

1,239

Malaysia deferred tax asset recognized

-

-

-

(1,489)

Non-GAAP net income

$ 5,880

$ 10,323

$ 5,014

$ 31,014

Summary Reconciliation Of Diluted GAAP Earnings Per Share To Diluted Non-GAAP Earnings Pe

Diluted GAAP earnings per share

$ 0.08

$ 0.28

$ 0.01

$ 0.90

Amortization of intangible assets

0.02

0.02

0.06

0.09

Equity compensation

0.04

0.04

0.07

0.18

Tax effect of above non-GAAP adjustments

(0.01)

(0.02)

(0.03)

(0.07)

Effect of changes in tax rates

0.07

0.04

0.08

0.04

Malaysia deferred tax asset recognized

-

-

-

(0.05)

Diluted non-GAAP earnings per share

$ 0.21

$ 0.37

$ 0.18

$ 1.09

Segmental Information

Revenues:

Enterprise Data Storage Solutions

$ 160,973

$ 223,380

$ 506,861

$ 773,908

HDD Capital Equipment

56,309

52,290

122,203

119,544

Total

$ 217,282

$ 275,670

$ 629,064

$ 893,452

Gross profit:

Enterprise Data Storage Solutions

$29,323

$34,370

$92,317

$126,839

HDD Capital Equipment

16,264

16,872

37,797

31,177

Equity compensation

(88)

(225)

(148)

(685)

Total

$45,499

$51,017

$129,966

$157,331

Summary Of Equity Compensation

Cost of revenues

$ 88

$225

$148

$685

Research and development

330

403

409

1,778

Selling, general and administrative

808

575

1,341

2,585

Total equity compensation

$ 1,226

$1,203

$1,898

$5,048

SOURCE Xyratex Ltd

RELATED LINKS http://www.xyratex.com