

GILAT SATELLITE NETWORKS LTD
Form 6-K
May 17, 2011

FORM 6 – K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report on Foreign Issuer

Pursuant to Rule 13a – 16 or 15d – 16
of the Securities Exchange Act of 1934

For the Month of May 2011

Gilat Satellite Networks Ltd.
(Translation of Registrant’s Name into English)

Gilat House, Yegia Kapayim Street
Daniv Park, Kiryat Arye, Petah Tikva, Israel
(Address of Principal Corporate Offices)

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

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form 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): N/A

Attached hereto is Registrant's press release dated May 17, 2011, announcing Registrant's financial results for the first quarter ended March 31, 2011.

This report on Form 6-K is being incorporated by reference into the Registration Statement on Form F-3 (Registration No. 333-160683) and the Registration Statements on Form S-8 (Registration Nos. 333- 158476, 333-96630, 333-132649, 333-123410, 333-113932, 333-08826, 333-10092, 333-12466 and 333-12988).

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.

Gilat Satellite Networks Ltd.
(Registrant)

Dated May 17, 2011

By: /s/ Joann R. Blasberg
Joann R. Blasberg
Corporate Secretary

Press Release

Gilat Satellite Networks Ltd.
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Gilat Announces First Quarter 2011 Results

Petah Tikva, Israel – May 17, 2011 – Gilat Satellite Networks Ltd. (NASDAQ: GILT), a worldwide leader in satellite networking technology, solutions and services, today reported its results for the quarter ending March 31, 2011.

Revenues for the first quarter of 2011 were \$80.0 million, compared to \$57.1 million in the first quarter of 2010, up 40%. Operating income for the first quarter of 2011 was \$0.8 million compared to \$0.1 million in the first quarter of 2010. Net income for the first quarter of 2011 was \$0.4 million or \$0.01 per diluted share, compared to a net income of \$0.6 million or \$0.02 per diluted share in the comparable period in 2010.

On a Non-GAAP basis, operating income for the period was \$3.9 million compared to \$0.4 million in the first quarter of 2010. Non-GAAP net income for the period was \$2.6 million or \$0.06 per diluted share, compared to a net income of \$1.0 million or \$0.02 per diluted share in the comparable period in 2010.

Gross margins reached 36.4% in the first quarter of 2011 compared to 34.3% in the comparable period in 2010, and EBITDA margins were 10% compared to 6% in 2010.

“Gilat ended the first quarter with overall growth in revenue and strong gross and EBITDA margins. Our strategy to increase R&D and invest in our future while we improve our profitability is continuing as planned,” said Amiram Levinberg, Gilat’s Chief Executive Officer and Chairman of the Board. “Our recent contract win in Australia is a strong show of faith for Gilat’s technology and our overall delivery capabilities.”

Resources:

First Quarter 2011 Financial Statements

Recent Announcements:

- Gilat announced that it has been selected by Optus to provide a SkyEdge II VSAT network, installation, operation and maintenance for the Australian Government's National Broadband Network Company's (NBN Co) Interim Satellite Service. The contract represents a potential value of \$120 million over a five year period. May 2011. [Read](#)
- The Company’s subsidiary Spacenet announced that it has acquired CICAT Networks, a US-based provider of broadband network solutions. The acquisition will allow Spacenet to increase its addressable market and offer an expanded range of Managed Network Services to customers. April 2011. [Read](#)
- Gilat announced that it has been selected by Telecom Namibia to provide a SkyEdge II network to serve hundreds of locations throughout Namibia. The new, IP oriented and higher capacity network will replace legacy equipment and enable the connection of new sites to broadband services. April 2011. [Read Trade Release](#)
- Gilat was awarded a new contract by Peru's Agency for Promotion of Private Investment (ProInversion) to provide Internet access and telephony services throughout the country's rural regions. Valued at \$14.5 million, the project is funded by Fondo de Inversión en Telecomunicaciones (FITEL), and is the sixth contract the ministerial agency has

awarded Gilat in the past 12 years. March 2011. Read

Press Release (cont.)

- Gateway Communications selected Gilat to provide broadband satellite infrastructure for cellular backhaul throughout Africa. The strategic cooperation will further enhance the provision of telecommunication services to mobile and fixed line operators, connecting them within Africa, and to the rest of the world. March 2011. [Read Trade Release](#)
- Gilat introduced two new products into its range: a new military satellite modem, the MLT-1000, and WebEnhance, the industry's first VSAT with microSD multi-Giga byte cache memory. March 2011.
- Gilat was selected by a defense agency to provide a broadband network for military communications. The network includes Ku and Ka band terminals and will serve various military branches and units as part of a single, unified multi-band communications network, providing mission critical applications and on the move communications. February 2011. [Read](#)
- Gilat expanded its leadership position in the US lottery market with multi-year contracts for over 27,000 lottery sites in Texas and Illinois. These recent awards were added to previous awards for Indiana, Louisiana and Iowa, totaling almost 33,000 sites across the five networks. January 2011. [Read](#)
- The Ministry of Information Technology and Communications of Colombia, together with the country's National Fund of Development (FONADE), has extended and amended Gilat's agreements for the provision of services under the Rural Communitarian Telephony and Telecentros projects for an additional one-year term. The extended service agreements are valued at approximately \$21 million. January 2011. [Read](#)

Conference Call and Webcast Details:

Gilat management will host a conference call today at 13:30 GMT / 9:30 EDT / 16:30 Israel Local Time to discuss the results. International participants are invited to access the call at (972) 3-918-0610, and US-based participants are invited to access the call by dialing (888) 668-9141.

The results presentation may be accessed prior to the conference call via Webcast through the Company's website at www.gilat.com.

A replay of the conference call will be available beginning at approximately 16:00 GMT/12:00 EDT today, until 16:00 GMT/12:00 EDT May 19, 2011. International participants are invited to access the replay at (972) 3-925-5928, and US-based participants are invited to access the replay by dialing (888) 782-4291. A replay of the call may also be accessed as a webcast via Gilat's website at www.gilat.com and will be archived for 30 days.

Notes:

(1) The attached summary financial statements were prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The attached summary financial statements are unaudited. To supplement the consolidated financial statements presented in accordance with GAAP, the Company presents Gilat's EBITDA before the impact of non-cash share-based payment charges, depreciation and amortization and other costs related to acquisition transactions. Non-GAAP presentations of net income, EBITDA and earnings per share are provided to enhance the understanding of the Company's historical financial performance and comparability between periods.

Press Release (cont.)

(2) Operating income before depreciation, amortization, non cash stock option expenses as per SFAS 123(R) and other costs related to acquisition transactions ('EBITDA') is presented because it is a measure commonly used and is presented solely in order to improve the understanding of the Company's operating results and to provide further perspective on these results. EBITDA, however, should not be considered as an alternative to operating income or net income for the period as an indicator of the operating performance of the Company.

Similarly, EBITDA should not be considered as an alternative to cash flows from operating activities as a measure of liquidity. EBITDA is not a measure of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures for other companies. EBITDA may not be indicative of the historic operating results of the Company; nor is it meant to be predictive of potential future results. Reconciliation between the Company's Operating income and EBIDTA is presented in the attached summary financial statements.

About Gilat Satellite Networks Ltd.:

Gilat is a leading provider of products and professional services for satellite-based broadband communication networks worldwide. Gilat was founded in 1987 and has shipped over 750,000 VSATs (Very Small Aperture Terminals) to more than 85 countries across six continents. Gilat's headquarters are located in Petah Tikva, Israel, and the Company has 22 sales and service offices worldwide. Gilat develops and markets an expansive range of broadband satellite solutions including high-performance VSATs under the SkyEdge™ and SkyEdge II brands, low-profile antennas for communications-on-the-move, under the RaySat Antenna Systems and the StealthRay™ brands, and next generation solid-state power amplifiers for mission-critical defense and broadcast satellite communications systems under the Wavestream brand. Gilat's wholly-owned subsidiary, Spacenet Inc., is a leading provider of managed services in North America to the business and government segments. Visit Gilat at www.gilat.com.

Certain statements made herein that are not historical are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "project", "intend", "expect", "believe" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Many factors could cause the actual results, performance or achievements of Gilat to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, inability to maintain market acceptance to Gilat's products, inability to timely develop and introduce new technologies, products and applications, rapid changes in the market for Gilat's products, loss of market share and pressure on prices resulting from competition, introduction of competing products by other companies, inability to manage growth and expansion, loss of key OEM partners, inability to attract and retain qualified personnel, inability to protect the Company's proprietary technology and risks associated with Gilat's international operations and its location in Israel. For additional information regarding these and other risks and uncertainties associated with Gilat's business, reference is made to Gilat's reports filed from time to time with the Securities and Exchange Commission.

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GILAT SATELLITE NETWORKS LTD.
 CONDENSED CONSOLIDATED BALANCE SHEET
 US dollars in thousands

| | March 31, 2011 Unaudited | December 31, 2010 |
|---|--------------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 49,249 | 57,238 |
| Short-term restricted cash | 8,143 | 3,839 |
| Restricted cash held by trustees | - | 1,004 |
| Trade receivables, net | 51,337 | 51,994 |
| Inventories | 30,018 | 29,612 |
| Other current assets | 27,283 | 22,973 |
| Total current assets | 166,030 | 166,660 |
| LONG-TERM INVESTMENTS AND RECEIVABLES: | | |
| Long-term restricted cash | 4,499 | 4,583 |
| Severance pay fund | 10,878 | 10,572 |
| Long-term trade receivables, receivables in respect of capital leases and other receivables | 13,744 | 6,538 |
| Total long-term investments and receivables | 29,121 | 21,693 |
| PROPERTY AND EQUIPMENT, NET | 102,056 | 103,490 |
| INTANGIBLE ASSETS AND DEFERRED CHARGES, NET | 55,435 | 57,453 |
| GOODWILL | 106,082 | 106,082 |
| TOTAL ASSETS | 458,724 | 455,378 |

GILAT SATELLITE NETWORKS LTD.
 CONDENSED CONSOLIDATED BALANCE SHEET
 US dollars in thousands

| | March 31, 2011 Unaudited | December 31, 2010 |
|---|--------------------------------|-------------------------|
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 1,187 | 2,129 |
| Current maturities of long-term loans and convertible notes | 6,265 | 2,186 |
| Trade payables | 19,150 | 18,267 |
| Accrued expenses | 24,902 | 24,591 |
| Short-term advances from customer, held by trustees | - | 1,004 |
| Other current liabilities | 43,031 | 39,675 |
| Total current liabilities | 94,535 | 87,852 |
| LONG-TERM LIABILITIES: | | |
| Accrued severance pay | 10,822 | 10,579 |
| Long-term loans, net | 41,246 | 45,202 |
| Accrued interest related to restructured debt | 575 | 575 |
| Convertible subordinated notes | 14,374 | 14,379 |
| Other long-term liabilities | 31,786 | 32,678 |
| Total long-term liabilities | 98,803 | 103,413 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Share capital - ordinary shares of NIS 0.2 par value | 1,861 | 1,855 |
| Additional paid in capital | 865,600 | 865,080 |
| Accumulated other comprehensive income | 1,081 | 774 |
| Accumulated deficit | (603,156) | (603,596) |
| Total equity | 265,386 | 264,113 |
| TOTAL LIABILITIES AND EQUITY | 458,724 | 455,378 |

GILAT SATELLITE NETWORKS LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
U.S. dollars in thousands (except per share data)

| | Three months ended March 31, | |
|---|---------------------------------|--------|
| | 2011 Unaudited | 2010 |
| Revenues | 80,027 | 57,112 |
| Cost of revenues | 50,967 | 37,475 |
| Gross profit | 29,060 | 19,637 |
| Research and development expenses: | | |
| Expenses incurred | 8,867 | 4,723 |
| Less - grants | 471 | 215 |
| | 8,396 | 4,508 |
| Selling, marketing, general and administrative expenses | 19,729 | 15,073 |
| Costs related to acquisition transactions | 156 | - |
| Operating income | 779 | 56 |
| Financial income (expenses), net | (676) | 69 |
| Other income | 949 | - |
| Income before taxes on income | 1,052 | 125 |
| Taxes on income (tax benefit) | 612 | (517) |
| Net income | 440 | 642 |
| Basic net earnings per share | 0.01 | 0.02 |
| Diluted net earnings per share | 0.01 | 0.02 |
| Weighted average number of shares used in computing net earnings per share | | |
| Basic | 40,746 | 40,309 |
| Diluted | 42,136 | 41,969 |

GILAT SATELLITE
NETWORKS LTD.
RECONCILIATION BETWEEN GAAP AND NON-GAAP STATEMENTS
OF OPERATIONS
FOR COMPARATIVE
PURPOSES
U.S. dollars in thousands (except
per share data)

| | Three months ended 31 March 2011 | | | Three months ended 31 March 2010 | | |
|---|-------------------------------------|---------------------------------|-----------------------|-------------------------------------|---------------------------------|-----------------------|
| | GAAP Unaudited | Adjustments (1) Unaudited | Non-GAAP Unaudited | GAAP Unaudited | Adjustments (1) Unaudited | Non-GAAP Unaudited |
| Revenues | 80,027 | - | 80,027 | 57,112 | - | 57,112 |
| Cost of revenues | 50,967 | (2,260) | 48,707 | 37,475 | (67) | 37,408 |
| Gross profit | 29,060 | 2,260 | 31,320 | 19,637 | 67 | 19,704 |
| | 36 | % | 39 | 34 | % | 35 |
| Research and development expenses: | | | | | | |
| Expenses incurred | 8,867 | (55) | 8,812 | 4,723 | (35) | 4,688 |
| Less - grants | 471 | - | 471 | 215 | - | 215 |
| | 8,396 | (55) | 8,341 | 4,508 | (35) | 4,473 |
| Selling, marketing, general and administrative expenses | 19,729 | (610) | 19,119 | 15,073 | (230) | 14,843 |
| Costs related to acquisition transactions | 156 | (156) | - | - | - | - |
| Operating income | 779 | 3,081 | 3,860 | 56 | 332 | 388 |
| Financial income (expenses), net | (676) | - | (676) | 69 | - | 69 |
| Other income | 949 | (949) | - | - | - | - |
| Income before taxes on income | 1,052 | 2,132 | 3,184 | 125 | 332 | 457 |
| Taxes on income | 612 | - | 612 | (517) | - | (517) |
| Net income | 440 | 2,132 | 2,572 | 642 | 332 | 974 |
| Basic net earnings per share | 0.01 | | 0.06 | 0.02 | | 0.02 |
| Diluted net earnings per share | 0.01 | | 0.06 | 0.02 | | 0.02 |
| Weighted average number of shares used in computing net earnings per share | | | | | | |
| Basic | 40,746 | | 40,746 | 40,309 | | 40,309 |
| Diluted | 42,136 | | 43,012 | 41,969 | | 42,618 |

(1) Adjustments reflect the effect of non-cash stock options expenses as per SFAS123R, costs related to acquisition transactions, amortization of intangible assets related to acquisition transactions and other income.

| | Three months ended 31 December 2010 | Three months ended 31 December 2009 |
|--|--|--|
| Non-cash stock-based compensation expenses: | | |
| Cost of Revenues | 80 | 67 |
| Research and development | 55 | 35 |
| Selling, general, marketing and administrative | 376 | 230 |
| | 511 | 332 |
| Amortization of intangible assets related to acquisition transactions: | | |
| Cost of Revenues | 2,180 | - |
| Selling, general, marketing and administrative | 234 | - |
| | 2,414 | - |

GILAT SATELLITE NETWORKS LTD.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH
 FLOWS

US dollars in thousands

| | Three months ended March 31, 2011 Unaudited | 2010 |
|--|--|----------|
| Cash flows from operating activities: | | |
| Net income (loss) | 440 | 642 |
| Adjustments required to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 6,572 | 3,013 |
| Stock-based compensation related to employees | 511 | 332 |
| Accrued severance pay, net | (63) | 114 |
| Accrued interest and exchange rate differences on short and long-term restricted cash, net | (20) | (149) |
| Accrued interest and exchange rate differences on marketable securities and short term bank deposits, net | - | (61) |
| Exchange rate differences on long-term loans | 402 | (420) |
| Capital loss from disposal of property and equipment | 25 | 7 |
| Deferred income taxes | 455 | 11 |
| Decrease (increase) in trade receivables, net | 825 | (8,782) |
| Decrease (increase) in other assets (including short-term, long-term and deferred charges) | (12,217) | 213 |
| Increase in inventories | (1,169) | (1,907) |
| Increase (decrease) in trade payables | 870 | (1,014) |
| Increase in accrued expenses | 312 | 1,201 |
| Decrease in advances from customer, held by trustees, net | (1,004) | (1,281) |
| Increase (decrease) in other accounts payable and other long term liabilities | 2,341 | (1,577) |
| Net cash used in operating activities | (1,720) | (9,658) |

GILAT SATELLITE NETWORKS LTD.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH
 FLOWS

US dollars in thousands

| | Three months ended March 31, | |
|--|---------------------------------|-----------|
| | 2011 | 2010 |
| | Unaudited | |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (1,876) | (993) |
| Investment in bank deposits | - | (30,693) |
| Proceeds from bank deposits | - | 7,953 |
| Purchase of available-for-sale marketable securities | - | (4,804) |
| Loans to employees, net | (10) | (1) |
| Investment in restricted cash held by trustees | - | (1,404) |
| Proceeds from restricted cash held by trustees | 1,016 | 2,787 |
| Investment in restricted cash (including long-term) | (11,076) | (387) |
| Proceeds from restricted cash (including long-term) | 6,868 | 70 |
| Purchase of intangible asset | (13) | - |
| Net cash used in investing activities | (5,091) | (27,472) |
| Cash flows from financing activities: | | |
| Issuance of restricted stock units and exercise of stock options | 6 | 5 |
| Short-term bank credit, net | (942) | - |
| Repayment of long-term loans | (274) | (87) |
| Net cash used in financing activities | (1,210) | (82) |
| Effect of exchange rate changes on cash and cash equivalents | 32 | (59) |
| Decrease in cash and cash equivalents | (7,989) | (37,271) |
| Cash and cash equivalents at the beginning of the period | 57,238 | 122,672 |
| Cash and cash equivalents at the end of the period | 49,249 | 85,401 |

GILAT SATELLITE NETWORKS LTD.
CONDENSED EBITDA
US dollars in thousands

| | Three months ended | |
|--|--------------------|-----------|
| | March 31, | |
| | 2011 | 2010 |
| | Unaudited | Unaudited |
| Operating income | 779 | 56 |
| Add: | | |
| Non-cash stock-based compensation expenses | 511 | 332 |
| Costs related to acquisition transactions | 156 | - |
| Depreciation and amortization | 6,572 | 3,013 |
| EBITDA | 8,018 | 3,401 |
