

MAGAL SECURITY SYSTEMS LTD

Form 6-K

November 01, 2004

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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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 2004

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- \_\_\_\_\_

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Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces Third Quarter and Nine Months Financial Results dated November 1, 2004.

Press Release

Source: Magal Security Systems Ltd.

Magal Security Systems Ltd. Announces Third Quarter and Nine Months Financial Results

Monday November 1, 6:51 am ET

Operating Income Increases 49% and Net Income Increases 32% Compared With the Third Quarter of 2003

YAHUD, Israel, November 1 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq NM:MAGS; TASE:MAGS) today announced its consolidated financial results for the third quarter and nine-month period ended September 30, 2004.

Revenues for the third quarter of 2004 reached US\$15.3 million, a slight decrease of 0.4 percent compared with the third quarter of 2003 and an increase of 5 percent over the second quarter of 2004.

Gross profit for the third quarter of 2004 reached US\$6.8 million (44.7 percent of revenues), an increase of 7 percent over the third quarter of 2003 and an increase of 5 percent compared with second quarter of 2004.

Operating income in the third quarter of 2004 reached US\$1.2 million compared with operating income of US\$796,000 for the third quarter of 2003. Second quarter operating loss was US\$345,000, which included US\$1.2 million of award expenses paid to all of the Company's employees by the Company's two principal shareholders out of their personal funds. According to the generally accepted accounting principles in the United States, such grant was recorded in Magal's second quarter statement of income as an expense, although it did not effect the Company's shareholders' equity nor its statement of cash- flows. Excluding the grant, operating income for the second quarter would have been US\$855,000, representing a third quarter sequential growth of 39 percent.

Net income in the third quarter of 2004 reached US\$663,000, compared with net income of US\$503,000, for the third quarter of 2003 and a net loss of US\$739,000 in the second quarter of 2004. Excluding the above-mentioned award paid to employees, net income in the second quarter was US\$461,000, representing a third quarter sequential growth of 44 percent.

Diluted earnings per share for the third quarter was US\$0.08, compared with diluted earnings per share of US\$0.06 in the same period last year.

Revenues for the first nine months of 2004 reached US\$44 million, an increase of 6 percent compared with the same period in 2003.

Operating and net income for the first nine months of 2004, excluding the above-mentioned US\$1.2 million award expenses granted to employees by the Company's two principal shareholders out of their personal funds, reached US\$3.3 million and US\$1.8 million, respectively, similar to the figures achieved in the first nine months of 2003.

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As a result of the award expense, operating income and net income for the nine-month period, reached US\$2.1 million and US\$611,000, respectively, a decrease of 36 percent and 67 percent, respectively, compared with the first nine months of 2003.

Diluted earnings per share for the nine-month period, including the award expenses, was US\$0.07, compared with US\$0.22 in the same period of last year.

Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal, said: "We are pleased with our revenue growth in the first nine months of 2004 compared to the same period of 2003. The growth in the rest of our business more than compensated for the delays caused by the Israeli Ministry of Defense in the Seam Line project in Israel during 2004. In particular, we are especially pleased this year with the contribution from new project wins, as well as our beginning to record revenue from our new products. The Seam Line project had significantly contributed to our 2003 revenues and management estimates that Magal will receive more orders for this project in the year 2005."

The Company will be hosting its quarterly conference call at 11:00am EST today. Mr. Jacob Even-Ezra, Chairman of the Board & CEO, and Ms. Raya Asher, V.P. Finance & CFO, will review and discuss the third quarter 2004 results. They will then be available to answer questions.

To participate, you may call one of the teleconferencing numbers that follows.

Please place your calls 5-10 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number.

US Dial-in Number: +1-866-860-9642  
Canada Dial-in Number: +1-866-485-2399  
ISRAEL Dial-in Number: +972-3-918-0610  
INTERNATIONAL Dial-in Number: +972-3-918-0610

At:  
11:00am Eastern Time  
8:00am Pacific Time  
6:00pm Israel Time

About Magal Security Systems, Ltd.:

Magal Security Systems Ltd. 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 established in the U.S. in June 2001. 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. Israeli-based Magal has subsidiaries in the U.S., Canada, the U.K., Germany, Romania, Mexico and an office in China.

Magal trades under the symbol MAGS on the Nasdaq National Market since 1993 and on the Tel-Aviv Stock Exchange (TASE) since July 2001.

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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 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.

**Contacts:**

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MAGAL SECURITY SYSTEMS LTD.  
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME  
 (All numbers except EPS expressed in thousands of US\$)

	Nine Months Ended Sep. 30		
	2004	% change	2003
REVENUES	\$ 43,986	6	\$ 41,675
Cost of revenues	24,378	4	23,563
Gross Profit	19,608	8	18,112
OPERATING EXPENSES:			
Research and development, net	3,486	0.5	3,470
Selling and marketing, net	8,728	19	7,362
General and administrative	4,133	2	4,046
Award granted by principal shareholders	1,200	--	-
TOTAL OPERATING EXPENSES	17,547	18	14,878
OPERATING INCOME	2,061	(36)	3,234
FINANCIAL INCOME (EXPENSES), NET	574	(21)	722
INCOME BEFORE TAXES ON INCOME	1,487	(41)	2,512
TAXES ON INCOME	876	38	637

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NET INCOME	\$ 611	(67)	\$ 1,875
BASIC NET EARNINGS PER SHARE	\$ 0.07	(70)	\$ 0.23
SHARES USED IN COMPUTING BASIC NET EARNINGS PER SHARE (IN THOUSANDS)	8,565		8,325
DILUTED NET EARNINGS PER SHARE	\$ 0.07	(68)	\$ 0.22
SHARES USED IN COMPUTING DILUTED NET EARNINGS PER SHARE (IN THOUSANDS)	8,673		8,413

	Quarter Ended Sep. 30		
	2004	% change	2003
REVENUES	\$ 15,271	(0.4)	\$ 15,332
Cost of revenues	8,443	(6)	8,954
Gross Profit	6,828	7	6,378
OPERATING EXPENSES:			
Research and development, net	1,193	(7)	1,280
Selling and marketing, net	3,031	2	2,987
General and administrative	1,415	8	1,315
Award granted by principal shareholders	-	--	-
TOTAL OPERATING EXPENSES	5,639	1	5,582
OPERATING INCOME	1,189	49	796
FINANCIAL INCOME (EXPENSES), NET	223	175	81
INCOME BEFORE TAXES ON INCOME	966	35	715
TAXES ON INCOME	303	43	212
NET INCOME	\$ 663	32	\$ 503

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BASIC NET EARNINGS PER SHARE	\$ 0.08	33	\$ 0.06
	8,617		8,361

SHARES USED IN COMPUTING BASIC net earnings PER SHARE  
(IN THOUSANDS)

DILUTED NET EARNINGS PER SHARE	\$ 0.08	33	\$ 0.06
SHARES USED IN COMPUTING DILUTED NET EARNINGS PER SHARE (IN THOUSANDS)	8,706		8,466

FINANCIAL RATIOS

	Nine months Ended Sep. 30		Quarter Ended Sep. 30	
	2004	2003	2004	2003
Gross Margin	44.60%	43.50%	44.70%	41.60%
R&D as a % of Revenues	7.90%	8.30%	7.80%	8.30%
Selling & Marketing as a % of Revenues	19.80%	17.70%	19.80%	19.50%
G&A Expenses as a % of Revenues	9.40%	9.70%	9.30%	8.60%
Operating Margin	4.70%	7.80%	7.80%	5.20%
Net Income Margin	1.40%	4.50%	4.30%	3.30%
Total Debt to Total Capitalization	*0.55	**0.47	*0.55	**0.47
Current Ratio	*1.75	**1.76	*1.75	**1.76

\* As of September 30, 2004

\*\* As of December 31, 2003

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

	September 30, 2004 Unaudited	December 31, 2003
CURRENT ASSETS:		
Cash and cash equivalents	6,192	4,389

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Short-term bank deposits	6,122	9,000
Trade receivables	12,384	14,885
Unbilled accounts receivable	9,435	5,072
Other accounts receivable	3,579	3,332
Deferred income taxes	1,082	979
Inventories	12,428	11,777
Total current assets	51,222	49,434

LONG TERM INVESTMENTS AND TRADE

RECEIVABLES:

Long-term trade receivables	50	300
Long-term bank deposits	6,101	3,051
Severance pay fund	1,909	1,960
Total long term investments and trade receivables	8,060	5,311

PROPERTY AND EQUIPMENT, NET	14,200	11,505
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OTHER ASSETS, NET	5,503	5,193
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TOTAL ASSETS	78,985	71,443
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CURRENT LIABILITIES:

Short-term bank credit	17,628	12,597
Current maturities of long-term bank loans	105	3,841
Trade payables	3,574	5,077
Other accounts payable and accrued expenses	7,951	6,518
Total current liabilities	29,258	28,033

LONG-TERM LIABILITIES:

Long-term bank loans	5,286	1,873
Accrued severance pay	2,021	1,992
Long-term liability in	231	561

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respect of  
forward  
contracts  
Total long terms        7,538                    4,426  
liabilities

SHAREHOLDERS' EQUITY:

Share capital            2,812                    2,683  
Additional                31,759                   24,098  
paid-in capital  
Accumulated             1,025                    479  
other  
comprehensive  
income  
Retained                 6,593                    11,724  
earnings  
Total                     42,189                   38,984  
shareholders'  
equity

TOTAL                    78,985                   71,443

LIABILITIES AND  
SHAREHOLDERS'  
EQUITY

SIGNATURES

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/Jacob Even-Ezra

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Jacob Even-Ezra  
Chairman of the Board and  
Chief Executive Officer

Date: November 1, 2004