

DESWELL INDUSTRIES INC
Form 6-K
February 25, 2014
FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REPORT OF FOREIGN ISSUER

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

For February 25, 2014

DESWELL INDUSTRIES, INC.
(Registrant's name in English)

17B Edificio Comercial Rodrigues
599 Avenida Da Praia Grande,
Macao, China
(Address of principal executive offices)

Deswell Announces Third Quarter 2014 Results

- Company Announces Third Quarter Cash Dividend of \$0.05 Per Share -

FOR IMMEDIATE RELEASE

MACAO (Feb 25, 2014) - Deswell Industries, Inc. (Nasdaq: DSWL) today announced its financial results for the fiscal third quarter ended December 31, 2013.

Net sales for the third quarter ended December 31, 2013 were \$10.7 million, a decrease of 22.1% compared to net sales of \$13.7 million for the same quarter ended December 31, 2012. Net sales decreased by 18.5% to \$5.2 million in the Company's plastic segment and decreased by 25.2% to \$5.5 million in the electronic and metallic segment. The operating loss in the third quarter was \$1.3 million, compared to an operating loss of \$0.7 million for the same quarter of fiscal 2013.

Total gross margin decreased to 10.5% in the third quarter ended December 31, 2013 compared to 11.7% in the same quarter last year. Gross profit margin in the plastic segment increased to 15.5% of net sales for the third quarter of fiscal 2014 compared to 10.9% of net sales for the same quarter of last fiscal year. The increase in gross profit and margin in the plastic segment was mainly due to the decrease in raw materials cost in total and as a percentage of sales. Gross profit margin in the electronic and metallic segment decreased to 5.9% of net sales for the third quarter ended December 31, 2013 compared to 12.5% of net sales for the year-ago quarter. The decrease in gross profit and margin in the electronic and metallic segment was mainly attributed to increase in labor costs, resulting from a higher labor rate, offsetting the decrease in headcount.

The Company reported a net loss of \$1.4 million for the third quarter ended December 31, 2013 compared to net loss of \$0.2 million for the quarter ended December 31, 2012. Deswell reported a basic and diluted loss per share of (\$0.09) for the third quarter of fiscal 2014 (based on 16,262,000 and 16,266,000 weighted average shares outstanding, respectively), compared to a basic and diluted loss per share of (\$0.01) (based on 16,698,000 and 16,717,000 weighted average shares outstanding, respectively), for the quarter ended December 31, 2012.

Net sales for the nine months ended December 31, 2013 were \$33.7 million, a decrease of 24.3%, compared to sales of \$44.6 million for the corresponding period in fiscal 2013. Operating loss for the nine months ended December 31, 2013 was \$4.3 million, compared to operating loss of \$1.0 million for the first nine months of fiscal 2013. The Company reported a net loss of \$4.4 million in the first nine months of fiscal 2014, compared to net income of \$8,000 for the nine months ended December 31, 2012. Deswell reported basic and diluted net loss per share of (\$0.27) for the first nine months of fiscal 2014, (based on 16,229,000 and 16,256,000 weighted average share outstanding, respectively), compared to basic and diluted income per share of \$0.0005 (based on 16,482,000 and 16,559,000 weighted average shares outstanding, respectively), for the prior corresponding period.

The Company's financial position remained strong at the end of the third quarter of fiscal year 2014, with \$23.0 million in cash and cash equivalents at December 31, 2013 compared to \$28.4 million at December 31, 2012. Working capital totaled \$52.5 million as of December 31, 2013, versus \$58.3 million as of March 31, 2013. Furthermore, the Company has no long-term or short-term borrowings as of December 31, 2013.

Mr. Edward So, Chief Executive Officer, commented, "Despite the challenges of the current economic environment, our efforts are focused on bolstering sales and marketing, particularly in the United States. A top priority for the Company is to streamline operational efficiency, particularly by increasing automation in the production process. We

are additionally strengthening our Research & Development capabilities and diversifying into alternate market segments that align well with our core competencies. Our balance sheet remains strong with approximately \$23 million in cash and no short or long term debt.”

Third Quarter Dividends

The Company also announced that on February 25, 2014 its board of directors declared a cash dividend of \$0.05 per share for the fiscal third quarter ended December 31, 2013. The dividend will be payable on March 28, 2014 to shareholders of record as of March 10, 2014.

About Deswell

Deswell manufactures injection-molded plastic parts and components, electronic products and subassemblies, and metallic products for original equipment manufacturers (“OEMs”) and contract manufacturers at its factories in the People’s Republic of China. The Company produces a wide variety of plastic parts and components used in the manufacture of consumer and industrial products; printed circuit board assemblies using surface mount (“SMT”) and finished products such as telephones, telephone answering machines, sophisticated studio-quality audio equipment and computer peripherals. The Company’s customers include Vtech Telecommunications Ltd. and Lenbrook Industries, Ltd.

To learn more about Deswell Industries, Inc., please visit the Company’s website at www.deswell.com.

Forward-Looking Statements

Statements in this press release that are "forward-looking statements" are based on current expectations and assumptions that are subject to risks and uncertainties. For example, our statements regarding our expected growth in sales from the electronic and metallic division in the coming year and our efforts to reduce overhead costs in our plastic division are forward-looking statements. Actual results could differ materially because of the following factors, among others, which may cause revenues and income to fall short of anticipated levels or our overhead expenses to increase: our dependence on a few major customers; vigorous competition forcing product price reductions or discounts; the timing and amount of significant orders from our relatively few significant customers; continuing increases in resin prices that cannot be passed on to customers; unexpected production delays; obsolete inventory or product returns; losses resulting from fraudulent activity of our customers or employees; labor shortages that increase labor and costs; changes in the mix of product products we manufacture and sell; adverse currency fluctuations in the renminbi and Hong Kong dollar when translated to US dollars; potential new accounting pronouncements; and the effects of travel restrictions and quarantines associated with major health problems, such as the Severe Acute Respiratory Syndrome, on general economic activity.

For further information regarding risks and uncertainties associated with the Company’s business, please refer to the “Risk Factors” section of Company’s Annual Report on Form 20-F, copies of which may be obtained from the Website maintained by the Securities and Exchange Commission at <http://www.sec.gov>.

All information in this release is made as of the date of this press release. Deswell undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in Deswell’s expectations.

Investor Relations Contact:

John Nesbett/Jennifer Belodeau
Institutional Marketing Services (IMS)
203.972.9200

DESWELL INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEET
(U.S. dollars in thousands)

	December 31, 2013 (Unaudited)	March 31, 2013 (Audited)
ASSETS		
Current assets :		
Cash and cash equivalents	\$23,037	\$32,030
Fixed deposits maturing over three months	11,741	8,684
Marketable securities (note 2)	5,558	6,168
Available-for-sale securities (note 2)	1,544	1,586
Accounts receivable, net	10,126	8,291
Inventories (note 4)	11,560	11,376
Prepaid expenses and other current assets	1,504	1,152
Total current assets	65,070	69,287
Property, plant and equipment - net	40,354	42,694
Deferred income tax assets	197	192
Goodwill	392	392
Total assets	\$106,013	\$112,565
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$3,452	\$3,144
Accrued payroll and employee benefits	4,721	4,133
Customer deposits	1,427	1,254
Other accrued liabilities	1,448	1,260
Income taxes payable	797	592
Deferred income tax liabilities	718	606
Total current liabilities	12,563	10,989
 Shareholders' equity		
Common shares nil par value - authorized 30,000,000 shares, shares issued and outstanding December 31, 2013 - 16,062,662 (note 6);		
March 31, 2013 - 16,387,648	53,063	52,443
Additional paid-in capital	5,308	6,831
Accumulated other comprehensive income	5,246	5,288
Retained earnings	29,833	37,014
Total shareholders' equity	93,450	101,576
Total liabilities and shareholders' equity	\$106,013	\$112,565

DESWELL INDUSTRIES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS &
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(U.S. dollars in thousands, except per share data)

	Quarter ended December 31,		Nine months ended December 31,	
	2013	2012	2013	2012
Net sales	\$10,724	\$13,766	\$33,713	\$44,557
Cost of sales	9,597	12,150	30,768	38,078
Gross profit	1,127	1,616	2,945	6,479
Selling, general and administrative expenses	2,609	2,403	8,088	7,749
Other income, net	134	130	884	219
Operating loss	(1,348)	(657)	(4,259)	(1,051)
Non-operating income (loss), net	134	496	251	1,284
Income (Loss) before income taxes	(1,214)	(161)	(4,008)	233
Income tax				