

MAGAL SECURITY SYSTEMS LTD

Form 6-K

February 10, 2004

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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 February 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-_____

This Report on Form 6-K is incorporated by reference into the Registrant's Form F-3 Registration Statement File No. 333-9050.

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Magal Security Systems Ltd.

6-K Items

1. Press Release re Magal Security Systems Ltd. Announces 2003 Fourth Quarter and Year-End Results dated February 10, 2004.

Press Release

Source: Magal Security Systems Ltd.

Magal Security Systems Ltd. Announces 2003 Fourth Quarter and Year-End Results
Tuesday February 10, 12:01 am ET

- 2003 Revenues Increases 38% to a Record of \$59.4 Million -
- Operating Income up 85% from the year 2002 -

YAHUD, Israel, Feb. 10 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq; TASE: MAGS) today announced its consolidated financial results for the three- and twelve-month periods ended December 31, 2003.

The year 2003 was a record year for Magal both in revenues and operating income.

Total revenues for the fourth quarter of 2003 reached US\$17.7 million, operating income reached US\$1.1 million and net income reached US\$529,000, an increase of 32 percent, 142 percent and 47 percent respectively, compared to the fourth quarter of 2002.

The increase in revenues, operating income and net income, in the fourth quarter, compared with the third quarter of 2003, was 15 percent, 37 percent and 5 percent respectively.

Total revenues for the year 2003 reached US\$59.4 million, operating income was US\$4.3 million and net income reached US\$2.4 million, an increase of 38 percent, 85 percent and 27 percent respectively, compared to the year 2002.

Excluding the impact of Smart Interactive Systems, Inc (SIS), the revenues for the year 2003 were US\$58.9 million, operating income was US\$6.2 million and net income was US\$4.3 million.

Research & Development expenses for the year 2003 increased by 53 percent, an increase that was caused mainly due to expediting the R&D of three new products Magal has developed, out of which two were already announced at the beginning of 2004. These were the Fortis Integrated Command and Control System and PipeGuard Pipeline Security System. The third one will be announced shortly.

Selling and G&A expenses for the year 2003 reached US\$16.9 million, an increase of 24% compared to the year 2002.

A major increase of US\$1.2 million was in the financial expenses, compared to the year 2002. This was due to the devaluation of the US dollar against the Canadian Dollar and the Israeli New Shekel, as in both Canada and Israel we have our major operations.

Earnings per share for the fourth quarter reached US\$0.07 per fully diluted share, an increase of 40 percent compared with the same period of last year. For the total year 2003, earnings per share reached US\$0.30 per fully diluted share, an increase of 30 percent compared with the year 2002.

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Commenting on the results, Mr. Jacob Even-Ezra, Chairman of Magal, said: "Based on the backlog of orders we have in hand, as well as the advanced negotiations for new contracts and the new products we have launched, we believe that the growth in revenues and operating income will continue in 2004 as well".

Mr. Even-Ezra added: "Management has decided to cut the expenses of Smart Interactive Systems in order to reach the breakeven point as soon as possible, and not later than the end of 2004".

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 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 in the U.S. on the Nasdaq National Market since 1993 and in Israel on the Tel-Aviv Stock Exchange (TASE) since July 2001.

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.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (All numbers except EPS expressed in thousands of US\$)

| | Year Ended Dec. 31, Audited | | | Quarter Ended Dec. 31, Unaudited | | |
|------------------|--------------------------------|--------|----------|-------------------------------------|--------|----------|
| | 2003 | 2002 | % growth | 2003 | 2002 | % growth |
| Revenues | 59,361 | 42,966 | 38 % | 17,686 | 13,362 | 32 % |
| Cost of revenues | 33,378 | 23,924 | 40 % | 9,815 | 7,788 | 26 % |
| Gross profit | 25,983 | 19,042 | 36 % | 7,871 | 5,574 | 41 % |

Operating expenses:

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| | | | | | | |
|---|---------|--------|------|-------|-------|-------|
| Research and development, net | 4,773 | 3,128 | 53 % | 1,303 | 852 | 53 % |
| Selling and marketing | 11,585 | 8,642 | 34 % | 4,223 | 2,619 | 61 % |
| General and administrative | 5,305 | 4,938 | 7 % | 1,259 | 1,655 | -24 % |
| Total operating expenses | 21,663 | 16,708 | 30 % | 6,785 | 5,126 | 32 % |
| Operating income | 4,320 | 2,334 | 85 % | 1,086 | 448 | 142 % |
| Financial income (expenses), net | (1,003) | 199 | | (281) | (81) | |
| Income before taxes | 3,317 | 2,533 | 31 % | 805 | 367 | 119 % |
| Taxes on income | 913 | 645 | | 276 | 8 | |
| Net income | 2,404 | 1,888 | 27 % | 529 | 359 | 47 % |
| Basic net earnings per share | 0.30 | 0.24 | 25 % | 0.07 | 0.05 | 40 % |
| Weighted average number of shares outstanding used in Computing basic net earnings per share (in thousands) | 7,948 | 7,866 | | 8,004 | 7,889 | |
| Diluted net earnings per share | 0.30 | 0.23 | 30 % | 0.07 | 0.05 | 40 % |
| Weighted average number of shares outstanding used in Computing diluted net earnings per share (in thousands) | 8,029 | 8,069 | | 8,079 | 7,996 | |

FINANCIAL RATIOS

| | Year Ended December 31, | | Quarter Ended December 31, | |
|--------------|----------------------------|--------|-------------------------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| Gross Margin | 43.8 % | 44.3 % | 44.5 % | 41.7 % |

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| | | | | |
|---|--------|--------|--------|--------|
| Research and development, net as a % of Revenues | 8.0 % | 7.3 % | 7.4 % | 6.4 % |
| Selling and Marketing as a % of Revenues | 19.5 % | 20.1 % | 23.9 % | 19.6 % |
| General and administrative as a % of Revenues | 8.9 % | 11.5 % | 7.1 % | 12.4 % |
| Operating Margin | 7.3 % | 5.4 % | 6.1 % | 3.4 % |
| Net income Margin | 4.1 % | 4.4 % | 3.0 % | 2.7 % |
| Total Bank Debt to Total Capitalization | 0.47 | 0.43 | 0.47 | 0.43 |
| Current Ratio | 1.76 | 1.86 | 1.76 | 1.86 |

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

| | December 31, 2003 | December 31, 2002 |
|--|-------------------|-------------------|
| | Audited | Audited |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 4,389 | 2,519 |
| Short-term bank deposits | 9,000 | 3,708 |
| Trade receivables: | | |
| Related parties | 29 | 57 |
| Other | 14,856 | 9,076 |
| Unbilled accounts receivable | 5,072 | 7,691 |
| Other accounts receivable | 3,332 | 2,256 |
| Inventories | 11,777 | 8,251 |
| Deferred income taxes | 979 | 602 |
| Total current assets | 49,434 | 34,160 |
| LONG TERM INVESTMENTS AND TRADE RECEIVABLES: | | |
| Long-term trade receivables | 300 | 1,510 |
| Long-term bank deposits | 3,051 | 8,649 |
| Severance pay fund | 1,960 | 1,724 |
| Total long term investments and trade receivables | 5,311 | 11,883 |
| PROPERTY AND EQUIPMENT, NET | 11,505 | 8,989 |
| OTHER ASSETS, NET | 5,193 | 4,709 |
| Total assets | 71,443 | 59,741 |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 12,597 | 9,266 |
| Current maturities of long-term bank loans | 3,841 | 1,091 |
| Trade payables | 5,077 | 4,192 |
| Other payables and accrued expenses | 6,518 | 3,784 |
| Total current liabilities | 28,033 | 18,333 |
| LONG-TERM LOANS | 1,873 | 4,698 |
| ACCRUED SEVERANCE PAY | 1,992 | 1,679 |
| UNREALIZED LOSSES ON FORWARD CONTRACTS | 561 | -- |

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| SHAREHOLDERS' EQUITY: | | |
|---|--------|---------|
| Share capital | 2,683 | 2,600 |
| Additional paid-in capital | 24,098 | 21,791 |
| Unrealized losses on forward contracts, net | (807) | -- |
| Deferred stock compensation | -- | (3) |
| Accumulated other comprehensive loss | 1,286 | (1,006) |
| Retained earnings | 11,724 | 11,649 |
| Total shareholders' equity | 38,984 | 35,031 |
| | | |
| TOTAL LIABILITIES & SHAREHOLDERS' EQUITY | 71,443 | 59,741 |

Contacts:

Magal Security Systems, Ltd
Raya Asher, CFO
Tel: +972-3-5391444
Fax: +972-3-5366245

Gal Investor Relations
Ehud Helft, Investor Relations
Tel: +1-866-704-6710
+972-3-6074717
E-mail: Ehud.Helft@galir.com
Kenny.Green@galir.com

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

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

Date: February 10, 2004