

Edgar Filing: IONICS INC - Form 8-K

IONICS INC
Form 8-K
August 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K
Current Report

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) August 9, 2004

IONICS, INCORPORATED
(Exact name of registrant as specified in its charter)

| | | |
|--|---------------------------------|---|
| Massachusetts (State of incorporation) | 1-7211 (Commission File No.) | 04-20 (IRS Employer Id |
| 65 Grove Street, Watertown, MA (Address of principal executive offices) | 02472 (Zip Code) | (617) 9 (Registrant's t including |

Item 7. Financial Statements and Exhibits

Exhibit Number Description

99 Press Release dated August 9, 2004, reporting the financial results of Ionics, Incorporated for the quarter ended June 30, 2004.

Item. 12. Results of Operations and Financial Condition

On August 9, 2004, Ionics, Incorporated issued a press release reporting its financial results for the quarter ended June 30, 2004. A copy of the Press Release is attached hereto as Exhibit 99 and is hereby incorporated by reference.

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 duly authorized.

IONICS, INCORPORATED

Edgar Filing: IONICS INC - Form 8-K

August 9, 2004

By: /s/Stephen Korn

Name: Stephen Korn

Title: Vice President and General Counsel

2

EXHIBIT INDEX

| Number ----- | Description ----- | Page Number ----- |
|-----------------|--|----------------------|
| 99 | Press release dated August 9, 2004, reporting the financial results of Ionics, Incorporated for the quarter ended June 30, 2004. | 4 |

3

EXHIBIT 99

IONICS REPORTS RESULTS FOR THE SECOND QUARTER
AND FIRST HALF OF 2004

Watertown, MA, August 9, 2004 . . . Ionics, Incorporated (NYSE-ION) today filed its quarterly report on Form 10-Q, reporting results for the three and six-months periods ended June 30, 2004. Second quarter revenues were \$125.8 million compared to \$83.6 million for the second quarter of 2003. The net loss of \$2.3 million, or (\$0.10) per share, in Q2 2004 compared to a net loss of \$4.9 million, or (\$0.28) per share, for Q2 2003. The loss per share from continuing operations of (\$0.07) in Q2 2004 compares to a loss per share of (\$0.11) in Q2 2003. Excluding amortization of intangibles, net of tax, the results of continuing operations were break-even, compared to a loss per share of (\$0.11) in the second quarter of 2003.

Revenues for the first half of 2004 were \$231.5 million compared to \$163.8 million for the first half of 2003. The net loss of \$6.3 million, or (\$0.29) per share, in the first half of 2004 compared to a net loss of \$4.3 million, or (\$0.25) per share, for the first half of 2003. The loss per share from continuing operations, of (\$0.14) in the first half of 2004 compares to a loss per share of (\$0.06) in the first half of 2003. Excluding amortization of intangibles, net of tax, the loss per share for continuing operations of (\$0.05) compares to a loss per share of (\$0.05) in the first half of 2003.

Income from continuing operations before income taxes and minority interest expense for the second quarter and for the first six months of 2004 was \$3.3 million and \$1.8 million, respectively. This compares to a loss from continuing

Edgar Filing: IONICS INC - Form 8-K

operations before income taxes and minority interest expense for the second quarter and first six months of 2003 of (\$2.9) million and (\$1.3) million, respectively.

The results for the second quarter include a non-cash charge for the establishment of a deferred tax asset valuation allowance in the amount of \$3.3 million, which equates to approximately \$0.15 per share. Other items included in the results were \$0.6 million of restructuring charges, and \$0.9 million in systems development and Sarbanes-Oxley Section 404 preparedness charges.

Also included are the consolidated results of the Ecolochem Group (acquired on February 13, 2004), and Desalcott (Desalination Company of Trinidad and Tobago Ltd.), the Company's 40%- owned joint venture in Trinidad. Desalcott's results were included in the consolidated results of the Company in accordance with the provisions of FIN46. Ecolochem revenues for the quarter and the first half were \$24.4 million and \$36.3 million, respectively. Desalcott revenues for the quarter and for the first half were \$7.5 million and \$14.4 million, respectively.

For further information about the Company's second quarter and first half 2004 financial results, please refer to the Company's quarterly report on Form 10-Q.

- more -

4

Ionics will host a conference call tomorrow, Tuesday, August 10, 2004 at 10:00AM, EDT to discuss its second quarter financial results. This conference call will be accessible on the Company's home page, at <http://www.shareholder.com/ion/medialist.cfm>. Recorded replays of the financial results conference call will be available on the web site for a one-week period beginning later that day.

About Ionics, Inc.

Ionics is a global leader in water purification and wastewater treatment. The Company has over 50 years of experience in the design, installation, operation and maintenance of water and wastewater treatment systems and is a leading provider of emergency and long-term water treatment services. More membrane-based desalination systems have been designed and built by Ionics than any other supplier worldwide. Ionics is also a leader in supplying zero-liquid-discharge systems, in providing ultrapure water systems for the power and microelectronics industries, and in the measurement and analysis of water impurities. The Company also supplies Point-of-Use and Point-of-Entry water treatment systems for commercial and residential applications. For more information, visit www.ionics.com.

Safe-harbor statement under the Private Securities Litigation Reform Act of 1995: Forward-looking statements in this news release involve risk and uncertainty. The statements contained in this release which are not historical facts are forward-looking statements. These forward-looking statements are based on management's current views and assumptions and are neither promises nor guarantees but are subject to risks, uncertainties and other factors that could cause actual results to differ materially from management's current expectations as described in such forward-looking statements, including overall economic and business conditions; competitive factors, such as acceptance of new products, pricing pressures and competition from competitors larger than the Company; risks of nonpayment of accounts receivable, including those from affiliated

Edgar Filing: IONICS INC - Form 8-K

companies; risks associated with foreign operations; technological and product development risks; availability of manufacturing capacity; risks associated with the Company's restructuring program announced in September 2003; risks associated with the integration of Ecolochem's operations with those of the Company; and other factors described in the Company's filings with the Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2003 and its quarterly report on Form 10-Q for the quarter ended June 30, 2004. You should not place undue reliance on the forward-looking statements in this press release, and the Company disavows any obligation to update or supplement those statements in the event of any changes in the facts, circumstances, or expectations that underlie those statements.

-more-

5

IONICS REPORTS SECOND QUARTER RESULTS

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|-----------|------------------------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | |
| Equipment Sales | \$ 37,991 | \$ 33,286 | \$ 71,421 | \$ 62,270 |
| Operations | 62,270 | 26,589 | 114,676 | 54,038 |
| Consumer Water | 4,038 | 2,626 | 7,990 | 5,700 |
| Instruments | 9,700 | 8,049 | 18,451 | 16,801 |
| Affiliated companies | 11,801 | 13,006 | 18,916 | 24,494 |
| | 125,800 | 83,556 | 231,454 | 163,789 |
| Costs and expenses: | | | | |
| Cost of sales of Equipment Sales | 30,433 | 26,673 | 58,306 | 49,700 |
| Cost of sales of Operations | 38,805 | 19,096 | 73,353 | 38,805 |
| Cost of sales of Consumer Water | 1,606 | 1,039 | 3,477 | 2,626 |
| Cost of sales of Instruments | 3,977 | 3,872 | 7,983 | 7,990 |
| Cost of sales to affiliated companies | 10,494 | 11,166 | 16,603 | 21,801 |
| Research and development | 1,572 | 1,954 | 3,103 | 3,977 |
| Selling, general and administrative | 30,874 | 20,449 | 58,729 | 40,805 |
| Restructuring charges | 624 | - | 1,188 | - |
| | 118,385 | 84,249 | 222,742 | 163,789 |
| Income (loss) from continuing operations | 7,415 | (693) | 8,712 | - |
| Interest (expense) income, net | (4,914) | 491 | (8,236) | 1,188 |
| Equity income (loss) | 801 | (2,742) | 1,291 | (2,742) |

Edgar Filing: IONICS INC - Form 8-K

| | | | | |
|---|------------|------------|------------|------------|
| Income (loss) from continuing operations before income tax and minority interest expense | 3,302 | (2,944) | 1,767 | (1,767) |
| Income tax (expense) benefit | (4,724) | 1,142 | (4,228) | (4,228) |
| Loss from continuing operations before minority interest expense | (1,422) | (1,802) | (2,461) | (2,461) |
| Minority interest expense | 231 | 188 | 484 | 484 |
| Loss from continuing operations | (1,653) | (1,990) | (2,945) | (2,945) |
| Loss on discontinued operations, net of tax | (676) | (2,934) | (3,334) | (3,334) |
| Net loss | \$ (2,329) | \$ (4,924) | \$ (6,279) | \$ (6,279) |
| Basic loss per share from continuing operations | \$ (0.07) | \$ (0.11) | \$ (0.14) | \$ (0.14) |
| Basic loss per share from discontinued operations | (0.03) | (0.17) | (0.16) | (0.16) |
| Basic net loss per share | \$ (0.10) | \$ (0.28) | \$ (0.29) | \$ (0.29) |
| Diluted loss per share from continuing operations | \$ (0.07) | \$ (0.11) | \$ (0.14) | \$ (0.14) |
| Diluted loss per share from discontinued operations | (0.03) | (0.17) | (0.16) | (0.16) |
| Diluted net loss per share | \$ (0.10) | \$ (0.28) | \$ (0.29) | \$ (0.29) |
| Shares used in basic loss per share calculations | 22,588 | 17,564 | 21,455 | 17,564 |
| Shares used in diluted loss per share calculations | 22,588 | 17,564 | 21,455 | 17,564 |
| Backlog | | | 424,624 | 346,000 |

-more-

Other Data:

| Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------|------|------------------------------|------|
| 2004 | 2003 | 2004 | 2003 |
| | | | |

Edgar Filing: IONICS INC - Form 8-K

Reconciliation of loss from continuing operations
to net loss from continuing operations adjusted
for amortization of intangibles, net of tax:

| | | | | |
|---|------------|------------|------------|------------|
| Loss from continuing operations | \$ (1,653) | \$ (1,990) | \$ (2,945) | \$ (1,653) |
| Add back: | | | | |
| Amortization of intangibles, net of tax | 1,548 | 100 | 1,767 | 1,548 |
| Net loss from continuing operations adjusted for amortization of intangibles, net of tax | \$ (105) | \$ (1,890) | \$ (1,178) | \$ (105) |
| Diluted loss per share from continuing operations | \$ (0.07) | \$ (0.11) | \$ (0.14) | \$ (0.07) |
| Add back: | | | | |
| Amortization of intangibles, net of tax | 0.07 | 0.01 | 0.08 | 0.07 |
| Diluted loss per share from continuing operations adjusted for amortization of intangibles, net of tax | \$ (0.00) | \$ (0.11) | \$ (0.05) | \$ (0.00) |

-more-

6

IONICS REPORTS SECOND QUARTER RESULTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 60,258 | \$ 133,811 |
| Restricted cash | 16,736 | |
| Short-term investments | 1,476 | |
| Notes receivable, current | 7,872 | 6,366 |
| Accounts receivable, net | 116,641 | 87,411 |
| Receivables from affiliated companies | 29,470 | 22,141 |
| Inventories | 28,834 | 24,599 |
| Assets from discontinued operations | 1,081 | 7,951 |
| Other current assets | 42,974 | 33,781 |
| Total current assets | 305,342 | 316,071 |
| Receivables from affiliated companies, long-term | 10,720 | 20,911 |
| Notes receivable, long-term, net | 31,951 | 28,401 |
| Investments in affiliated companies | 10,615 | 14,361 |

Edgar Filing: IONICS INC - Form 8-K

| | | |
|---|--------------|------------|
| Property, plant and equipment, net | 396,474 | 171,533 |
| Goodwill | 185,377 | 7,697 |
| Intangible assets, net | 77,199 | 6,377 |
| Other assets | 29,267 | 26,611 |
| | ----- | ----- |
| Total assets | \$ 1,046,945 | \$ 591,977 |
| | ===== | ===== |
| Current liabilities: | | |
| Notes payable and current portion of long-term debt | \$ 11,877 | \$ 6,277 |
| Accounts payable | 42,369 | 28,277 |
| Billings in advance from affiliated companies | - | 3,627 |
| Liabilities from discontinued operations | - | 397 |
| Other current liabilities | 95,325 | 79,511 |
| | ----- | ----- |
| Total current liabilities | 149,571 | 118,097 |
| Long-term debt and notes payable | 281,499 | 8,887 |
| Deferred income taxes | 33,054 | 30,977 |
| Minority interest | 15,592 | 1,427 |
| Accumulated losses in investments in affiliated companies | 4,117 | 5,067 |
| Other liabilities | 10,803 | 11,357 |
| Stockholders' equity | 552,309 | 416,167 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 1,046,945 | \$ 591,977 |
| | ===== | ===== |

For more information, contact:

John F. Curtis
Vice President, Strategy and Operations, Treasurer
Ionics, Incorporated
Tel: (617) 673-4403
jcurtis@ionics.com

Daniel M. Kuzmak
Vice President and Chief Financial Officer
Ionics, Incorporated
Tel: (617) 673-4350
dkuzmak@ionics.com