Sypris' Q3 EMS Sales Plunge 27%

Written by Mike Buetow Tuesday, 06 November 2012 08:56 -

LOUISVILLE, KY -- Sypris Solutions reported September quarter revenue fell 13.6% from last year and the EMS company swung to a loss.

The bright spots for the quarter were the gross margin, which increased 60 basis points to 11.9%, and free cash flow, which was \$4.2 million.

The contract electronics manufacturer reported revenue of \$78.8 million for the period ended Sept. 30. The net loss for the quarter was \$5.7 million, including a \$6.3 million expense in discontinued operations for the settlement of an arbitration case associated with the 2009 divestiture of Sypris Test & Measurement. Net income last year was \$6.1 million, including one-time items.

Income from continuing operations was \$600,000 down from \$6.1 million for the prior year period. The current results included a currency translation loss of \$600,000 and a gain of \$1.3 million in connection with the sale of marketable securities, while income from continuing operations for the prior year period included a gain of \$3.6 million from the disposition of idle assets and a foreign currency translation gain of \$2.8 million.

Electronics Group revenue fell 27% from last year to \$13.6 million, primarily due to expiring contracts. Gross profit was \$2.8 million, or 20.6% of revenue, compared to \$3.3 million, or 18% of revenue for the same period in 2011, reflecting improved product mix.

"Our Aerospace and Defense business continues to be affected by budgetary and funding uncertainties within the US Department of Defense that are not expected to be eliminated until Congress successfully addresses the fiscal cliff and its related issues," president and chief executive Jeff Gill. "Despite the recent quarterly drop in revenue, our improved product mix resulted in a 260 basis point expansion of gross margin when compared to the third quarter of last year."

"In the long-term, we will continue to invest in new products and programs to further improve the attractiveness of our business portfolio, with a specific emphasis on trusted solutions for identity management, cryptographic key distribution and cyber analytics. We

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believe that our product mix going forward should help us to maintain our margin in the face of what is likely to be lumpy revenue until the many macroeconomic and policy issues are successfully resolved."

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