

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

SELAS CORP OF AMERICA

Form 8-K

November 12, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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) November 11, 2003

SELAS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

Pennsylvania	1-5005	23-1069060
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1260 Red Fox Road, Arden Hills, MN 55112
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (651) 636-9770

Not Applicable
(Former name or former address, if changed since last report)

Item 9. Other Events and Regulation FD Disclosure and

Item 12. Results of Operations and Financial Condition

On November 11, 2003, Selas Corporation of America announced earnings for the three and nine months ended September 30, 2003 and discussed recent developments. A copy of the press release is attached as Exhibit 99.1 and is incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

by the undersigned thereunto duly authorized.

Selas Corporation of America

By: /s/ Robert F. Gallagher

Robert F. Gallagher
Chief Financial Officer

Date: November 12, 2003

Exhibit 99.1

FROM: SELAS CORPORATION OF AMERICA

SCA-444

CONTACT: Robert F. Gallagher 651-604-9638

FOR IMMEDIATE RELEASE

SELAS CORPORATION OF AMERICA REPORTS
THIRD-QUARTER RESULTS
Precision Miniature Medical and Electronic Products Business
Continues Strong Growth

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

ST. PAUL, Minn. -November 11, 2003 - Selas Corporation of America (AMEX: SLS) today reported results for the third quarter and nine months ended September 30, 2003.

For the third quarter, the Company had sales of \$11.8 million, up 13 percent from \$10.4 million for the 2002 third quarter. The gain was chiefly due to stronger sales in Selas' Precision Miniature Medical and Electronic Products business. The Company's net loss narrowed significantly to \$810,000, or \$.16 per share, from a net loss of \$6,504,000, or \$1.27 per share, for the prior-year period.

Selas recognized income of \$907,000, or \$.18 per share, from discontinued operations for the third quarter, compared with a loss from discontinued operations in the year-earlier period of \$5,935,000, or \$1.16 per share. Third-quarter 2003 discontinued operations include a gain of \$1,247,000, or \$.24 per share, from the sale of the Company's wholly owned subsidiary, Deuer Manufacturing. This was partially offset by a net charge of \$340,000, or \$.06 per share, due to the insolvency filing by Selas SAS, the Company's French Heat Technology subsidiary.

For the third quarter, the Company recorded a loss of \$1,716,000, or \$.34 per share, from continuing operations, which includes a deferred tax asset valuation reserve of approximately \$1,215,000, or \$.24 per share. This compares to a net loss of \$568,000, or \$.11 per share, in the year-ago period.

For the nine-month period, the Company reported sales of \$34.6 million, versus \$33.5 million for the year-earlier nine months. Selas' loss improved to \$2,377,000, or \$.46 per share, from \$16,963,000, or \$3.31 per share, for the prior-year period. The year-earlier loss of \$16,963,000 included \$10,552,000 or \$2.06 per share, of goodwill that was written off.

Mark S. Gorder, president and chief executive officer of Selas, stated "We are pleased to report a sales increase for the third quarter. Our gross margins rose 32 percent and we narrowed the Company's operating loss considerably. As previously announced, Selas' French Heat Technology business filed for insolvency during the second quarter. This process is moving forward as expected, and while its outcome is unknown, we're working cooperatively with the French courts. Concurrently, we're focusing on areas of our business with stronger growth and future potential."

Growth Strategy

Gorder reiterated that the Company's long-term strategy is to continue to accelerate growth for its Precision Miniature Medical and Electronic Products business. Management believes that Selas' core competencies position it well to expand its line of medical products to capture significantly more business.

For the third quarter, Precision Miniature Medical and Electronic Products sales increased 7 percent to \$9.2 million from \$8.6 million for the 2002 third quarter. For the nine months ended September 30, 2003, Precision Miniature Medical and Electronic Products sales were also up 7 percent to \$27.9 million, from \$26.1 million in the comparable 2002 period. Net income rose to \$594,000 from \$461,000 in the prior year.

Results for Selas' Precision Miniature Medical and Electronic Products business continue to be buoyed by Selas' small but growing medical component business that saw year-over-year revenue growth of 52 percent. This gain was primarily due to higher sales of components within third-party medical products to detect air bubbles in IV lines and for safety needles that are part of implanted drug delivery systems. However, income from this segment was more than offset by losses in the Company's Heat Technology segment and by general corporate expenses.

Gorder concluded, "Our Precision Miniature Medical and

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

Electronic Products business delivered strong performance again in the third quarter. We're building the Company around these core product lines and divesting our non-core assets. With Selas' expertise in the robotic manufacture of miniature and micro-miniature electronic products, we believe we're well suited to compete in the medical device market and strongly positioned for the future."

About Selas

Headquartered in St. Paul, Minn., Selas Corporation of America designs, develops, engineers and manufactures microminiaturized medical and electronic products. The company's core business segment, Precision Miniature Medical and Electronic Products, supplies microminiaturized components, systems and molded plastic parts, primarily to the hearing instrument manufacturing industry, as well as the computer, electronics, telecommunications and medical equipment industries. Through its core competencies and robotic manufacturing expertise, Selas believes it is well-positioned to compete in the hearing health market and a medical device market that increasingly demands products with increased miniaturization, better cost containment, more reliability and high customer satisfaction. The Company has facilities throughout the United States, Asia and Europe. Selas' common stock is traded on the American Stock Exchange under the symbol "SLS."

Forward-Looking Statements

Statements as to the company's long-term strategy and other statements herein that are not historical facts or that include forward-looking terminology such as "may", "will", "believe", "expect", "optimistic" or "continue" or the negative thereof or other variations thereon are "forward-looking statements" within the meaning of the Securities Exchange Act of 1934 as amended. These forward-looking statements are affected by known and unknown risks, uncertainties and other factors that may cause Selas' actual results, performance or achievements to differ materially from the results, performance and achievements expressed or implied in the forward-looking statements. These risks, uncertainties and factors include the risk that the Company may not be able to achieve its long-term strategy, risks arising in connection with the insolvency of Selas SAS, competition by competitors with more resources than the Company, foreign currency risks arising from the Company's foreign operations, the cyclical nature of the market for large custom engineered contracts, weakening demand for products of the Company's other business segments due to general economic conditions, possible non-performance of developing technological products and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the year ended December 31, 2002. The Company disclaims any intent or obligation to publicly update or revise any forward-looking statements, regardless of whether new information becomes available, future developments occur or otherwise.

Selas Corporation of America

Consolidated Statements of Operations
(Unaudited)

Three Months Ended
September 30 September 30,
2003 2002

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

Sales, net	\$11,754,452	\$10,356,927
Cost of sales	8,723,953	8,055,843
Gross margin	3,030,499	2,301,084
Selling, general and administrative expenses	3,355,020	2,999,530
Operating loss	(324,521)	(698,446)
Interest expense	(128,370)	(185,940)
Interest income	4,801	8,868
Other income (expense), net	(46,647)	9,804
Loss from continuing operations before income taxes	(494,737)	(865,714)
Income tax expense (benefit)	1,221,978	(297,336)
Loss from continuing operations	(1,716,715)	(568,378)
Income (loss) from discontinued operations, net of		
Income tax expense (benefit)	906,767	(5,935,268)
Net Loss	\$ (809,948)	\$ (6,503,646)
Income (loss) per share		
Basic		
Continuing operations	\$ (.34)	\$ (.11)
Discontinued operations	.18	(1.16)
	\$ (.16)	\$ (1.27)
Diluted		
Continuing operations	\$ (.34)	.11
Discontinued operations	.18	(1.16)
	\$ (.16)	\$ (1.27)

Selas Corporation of America

Consolidated Statements of Operations
(Unaudited)

	Nine Months Ended	
	September, 30	September, 30
	2003	2002
Sales, net	\$34,576,834	\$33,544,367
Cost of sales	25,247,839	25,397,410
Gross margin	9,328,995	8,146,957
Selling, general and administrative expenses	9,881,783	9,134,277
Operating loss	(552,788)	(987,320)

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

Interest expense	(444,927)	(525,629)
Interest income	12,778	29,329
Other income, net	115,034	72,869
Loss from continuing operations before income taxes	(869,903)	(1,410,751)
Income tax expense (benefit)	1,131,004	(488,674)
Loss from continuing operations	(2,000,907)	(922,077)
Loss from discontinued operations, net of income tax benefit	(376,482)	(5,488,752)
Net loss before change in accounting principle	(2,377,389)	(6,410,829)
Cumulative effect of change in accounting principle		(10,551,926)
Net Loss	\$ (2,377,389)	\$ (16,962,755)
Loss per share		
Basic		
Continuing operations	\$ (.39)	\$ (.18)
Discontinued operations	(.07)	(1.07)
Accounting principle change		(2.06)
	\$ (.46)	\$ (3.31)
Diluted		
Continuing operations	\$ (.39)	\$ (.18)
Discontinued operations	(.07)	(1.07)
Accounting principle change		(2.06)
	\$ (.46)	\$ (3.31)

Selas Corporation of America

Consolidated Balance Sheets
(Unaudited)

	September 30, 2003	December 31, 2002
Current assets		
Cash, including cash equivalents of \$423,000 in 2003, and \$418,000 in 2002, all cash equivalents are restricted.	\$ 438,910	\$ 1,319,207
Accounts receivable (less allowance for doubtful accounts of \$592,000 in 2003, and \$434,000 in 2002)	7,589,646	6,996,896
Inventories	9,130,356	8,783,153
Refundable income tax	669,275	344,633

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

Deferred income taxes	854,964	1,591,160
Asset held for sale	540,175	540,175
Other current assets	711,311	726,729
Assets of discontinued operations	--	25,140,325
Total current assets	19,934,637	45,442,278
Property, plant and equipment		
Land	170,500	170,500
Buildings	1,614,518	1,614,518
Machinery and equipment	28,277,037	27,726,773
	30,062,055	29,511,791
Less: Accumulated depreciation	20,158,800	18,684,119
Net property, plant and equipment	9,903,255	10,827,672
Goodwill	5,376,317	5,376,317
Deferred income taxes	--	466,164
Other assets, less amortization	1,820,563	1,568,291
	\$37,034,772	\$63,680,722

Liabilities and Shareholders' Equity

	September, 30 2003 (Unaudited)	December 31, 2002 (Audited)
Current liabilities		
Notes payable	\$4,935,048	\$10,920,984
Current maturities of long-term debt	2,150,049	1,573,716
Accounts payable	3,577,727	4,094,908
Customers' advance payments on contracts	863,680	907,811
Guarantee obligations and estimated costs of service	498,300	544,735
Accrued salaries, wages and commissions	1,924,762	1,289,120
Other accrued liabilities	3,848,022	2,668,869
Liabilities of discontinued operations	--	18,757,587
Total current liabilities	17,797,588	40,757,730
Long-term debt	--	2,736,236

Edgar Filing: SELAS CORP OF AMERICA - Form 8-K

Other postretirement benefit obligations	3,603,870	3,571,017
Deferred income taxes	127,746	---
Contingencies and commitments		
Shareholders' equity		
Common shares, \$1 par; 10,000,000 shares authorized; 5,634,968 shares issued	5,634,968	5,634,968
Additional paid-in capital	12,012,541	12,012,541
Retained earnings (accumulated deficit)	(634,133)	1,743,256
Accumulated other comprehensive loss	(242,730)	(1,509,948)
Less: 515,754 common shares held in treasury, at cost	(1,265,078)	(1,265,078)
Total shareholders' equity	15,505,568	16,615,739
	\$37,034,772	\$63,680,722

#