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MAGAL SECURITY SYSTEMS LTD

Form 6-K

July 30, 2008

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 July 2008

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 Statements File Nos. 333-9050 and 333-123265 and Form S-8 Registration Statement File No. 333-06246.

Magal Security Systems Ltd.

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6-K Items

1. Press Release re Magal Reports Second Quarter 2008 Revenues of \$25 Million Representing a 78% Year-Over-Year Increase dated July 30, 2008.

ITEM 1

Press Release

Source: Magal Security Systems Ltd

Magal Reports Second Quarter 2008 Revenues of \$25 Million Representing a 78% Year-Over-Year Increase

Wednesday July 30, 6:30 am ET

Net Income on a Non-GAAP Basis for the Second Quarter Increases 108% Year-Over-Year to \$0.9 Million

YAHUD, Israel, July 30 /PRNewswire-FirstCall/ -- Magal Security Systems Ltd. (Nasdaq GM: MAGS; TASE: MAGS) today announced its consolidated financial results for the three and six month periods ended June 30, 2008.

Second Quarter 2008 Results

Revenues for the second quarter of 2008 increased 77.6% reaching US\$25.0 million, compared to US\$14.1 million in the second quarter of 2007. Effective September 1, 2007, Magal's financial statements consolidate the results of a European integration company acquired in August 2007. Following the sale in December 2007 of Magal's U.S. based video monitoring business operated by Smart Interactive Systems Inc., the results of this business were reclassified as discontinued operations.

Gross profit for the second quarter of 2008 increased by 47.6%, reaching US\$9.5 million (38.0% of revenues) compared with \$6.4 million (45.7% of revenues) in the second quarter of 2007. Gross margin for the quarter was adversely affected by the ongoing weakening of the US dollar against the Israeli Shekel as well as the shift in revenue mix towards larger scale integration projects.

Operating expenses on a GAAP basis in the second quarter of 2008 were US\$8.7 million or 34.7% of sales, compared to US\$5.6 million or 39.6% of revenues on a non-GAAP and GAAP basis in the second quarter 2007. Operating expenses on a non-GAAP basis, for the second quarter of 2008, totalled US\$7.6 million or 30.2% of revenues.

The operating expenses for the quarter, on a GAAP basis, included a US\$1.1 million amortization of intangible assets relating to a recently acquired European subsidiary. Operating expenses for the quarter were also adversely affected by the devaluation of the US dollar against the Israeli Shekel and the Canadian Dollar, increasing operating expenses by approximately US\$0.7 million

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for the quarter compared with the second quarter of 2007.

Operating income on a GAAP basis for the second quarter of 2008 decreased 4.4% reaching US\$0.8 million (3.3% of revenues) compared to US\$0.9 million (6.1% of revenues) in the second quarter of 2007 on a GAAP and non-GAAP basis. Operating income on a non-GAAP basis for the second quarter of 2008 increased 125.4% reaching US\$1.9 million (7.7% of revenues).

Net income on a GAAP basis for the second quarter of 2008 reached US\$0.1 million compared with net income of \$0.3 million in the second quarter 2007. Diluted earnings per share on a GAAP basis in the second quarter of 2008 was \$0.01 compared to \$0.03 in the second quarter of 2007.

Net income on a non-GAAP basis, totalled US\$0.9 million, compared with non-GAAP net income of US\$0.4 million in the second quarter of 2007. Diluted non-GAAP earnings per share for the second quarter totalled US\$0.09 compared to non-GAAP diluted earnings per share of US\$0.04 in the same quarter of last year.

"We are particularly encouraged by our strong revenue growth over last year and our improved non-GAAP operating profitability this quarter," commented Izhar Dekel, CEO of Magal. "This year is shaping up as an exceptionally strong year in terms of revenue growth, which increases our confidence in realizing our target of doubling revenues within the next four to five years. We are also encouraged by our operating margin improvement which represents the initial fruits of our efforts to focus on increasing profitability. At the same time, we are successfully executing on our strategy of becoming a more project focused company, winning a number of high profile projects."

Continued Mr. Dekel, "Over the past year, we have won a number of orders for municipal security systems based on our Fortis system, which is becoming a growth engine and strong revenue generator for Magal. While the majority of our project wins have to date been for municipalities in Israel and there still remains significant potential within Israel, we see far greater prospects for this system outside of Israel. We have already won some international orders based on our local success and we are competing in a number of other international tenders at magnitudes greater than what we have seen so far."

Use of Non-GAAP Financial Information

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this release of operating results also contains non-GAAP financial measures, which the Company believes are the principal indicators of the operating and financial performance of its business. The non-GAAP financial measures exclude the effects of stock-based compensation charges recorded in accordance with SFAS 123R as well as amortization of customer related intangible assets and a loss associated with a discontinued operation. Management believes the non-GAAP financial measures provided are useful to investors' understanding and assessment of the Company's on-going core operations and prospects for the future, as the charges eliminated are not part of the day-to-day business or reflective of the core operational activities of the Company. Management uses these non-GAAP financial measures as a basis for strategic decisions, forecasting future results and evaluating the Company's current performance. However, such measures should not be considered in isolation or as substitutes for results prepared in accordance with GAAP. Reconciliation of the non-GAAP measures to the most comparable GAAP measures are provided in the schedules attached to this release.

Results Conference Call

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The Company will be hosting its quarterly conference call later today at 9:00am ET. On the call, management will review and discuss the second quarter 2008 results. They will then be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: +1-866-345-5855

Israel Dial-in Number: 03-918-0688

International Dial-in Number: +972-3-918-0688

at: 9:00 am Eastern Time; 6:00 am Pacific
Daylight Time; 4:00 pm Israel Time

A replay of the call will be available for three months from the day after the call. The webcast and the replay will both be accessible from Magal's website at: <http://www.magal-ssl.com>.

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. 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.

Magal trades under the symbol MAGS in the U.S. on the Nasdaq Global Market and in Israel on the Tel-Aviv Stock Exchange (TASE).

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\$)

| | Six Months Ended | | | Three months Ended | | |
|----------|------------------|--------|----------|--------------------|--------|----------|
| | June 30, | | | June 30, | | |
| | 2008 | 2007 | % change | 2008 | 2007 | % change |
| Revenues | 51,311 | 28,204 | 81.9 | 25,021 | 14,091 | 77.6 |

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| | | | | | | |
|---|--------|--------|--------|---------|--------|--------|
| Cost of revenues | 32,122 | 15,382 | 108.8 | 15,514 | 7,650 | 102.8 |
| Gross profit | 19,189 | 12,822 | 49.7 | 9,507 | 6,441 | 47.6 |
| Operating expenses: | | | | | | |
| Research and development, net | 3,154 | 2,602 | 21.2 | 1,529 | 1,148 | 33.0 |
| Selling and marketing | 8,927 | 5,737 | 55.6 | 4,691 | 3,028 | 54.9 |
| General and administrative | 4,562 | 2,723 | 67.5 | 2,467 | 1,407 | 75.3 |
| Special Post employment benefit | 438 | | | | | |
| Total operating expenses | 17,081 | 11,062 | 54.4 | 8,687 | 5,583 | 55.6 |
| Operating income | 2,108 | 1,760 | 19.8 | 820 | 858 | (4.4) |
| Financial expense, net | 1,399 | 444 | 215.1 | 415 | 140 | 196.4 |
| Income from continuing operations before income taxes | 709 | 1,316 | (46.1) | 405 | 718 | (43.6) |
| Income tax | 571 | 428 | | 279 | 280 | |
| Net Income from continuing operations | 138 | 888 | (84.5) | 126 | 438 | (71.2) |
| Loss on discontinued operations, net | 309 | 248 | | 61 | 96 | |
| Net income (loss) | (171) | 640 | | 65 | 342 | (81.0) |
| Basic and diluted net earnings per share from continuing operations | 0.01 | 0.08 | | 0.01 | 0.04 | |
| Basic and diluted loss per share from discontinued operations, | (0.03) | (0.02) | | (0.005) | (0.01) | |

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net

| | | | | |
|---|--------|------|-------|------|
| Basic and diluted net earnings (loss) per share | (0.02) | 0.06 | 0.005 | 0.03 |
|---|--------|------|-------|------|

FINANCIAL RATIOS

| | Six Months Ended | | Three months Ended | |
|--|------------------|------|--------------------|------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Gross margin | 37.4 | 45.5 | 38.0 | 45.7 |
| Research and development, net as a % of revenues | 6.1 | 9.2 | 6.1 | 8.1 |
| Selling and marketing as a % of revenues | 17.4 | 20.3 | 18.7 | 21.5 |
| General and administrative as a % of revenues | 8.9 | 9.7 | 9.9 | 10 |
| Special post employment benefit | 0.9 | - | - | - |
| Operating margin | 4.1 | 6.2 | 3.3 | 6.1 |
| Net income margin (after discontinued operation) | (0.3) | 2.3 | 0.3 | 2.4 |

MAGAL SECURITY SYSTEMS LTD.

Reconciliation of GAAP to Non-GAAP Measures

(All numbers expressed in thousands of US\$)

| | Six Months Ended | | Three months Ended | |
|--|------------------|-------|--------------------|------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| GAAP operating income | 2,108 | 1,760 | 820 | 858 |
| Amortization of customer related intangible assets | 2,101 | - | 1,056 | - |
| Special post employment benefit | 438 | - | - | - |
| Amortization of deferred stock based compensation | 114 | - | 57 | - |

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| | | | | | |
|---|--------|--------------------------------------|-------|--|------|
| Non-GAAP operating income | 4,761 | 1,760 | 1,933 | 858 | |
| GAAP operating income as a percentage of revenues | 4.1% | 6.2% | 3.3% | 6.1% | |
| Non-GAAP operating income as a percentage of revenues | 9.3% | 6.2% | 7.7% | 6.1% | |
| | | | | | |
| | | Six Months Ended June 30, 2008 | 2007 | Three months Ended June 30, 2008 | 2007 |
| GAAP net income (loss) | (171) | 640 | | 65 | 342 |
| Amortization of customer related intangible assets | 2,101 | | | 1,056 | |
| Special post employment benefit | 438 | | | | |
| Loss on discontinued operation, net | 309 | 248 | | 61 | 96 |
| Amortization of deferred stock based compensation | 114 | | | 57 | |
| Income taxes with respect to the above items | (768) | | | (332) | |
| Non-GAAP net income | 2,023 | 888 | | 907 | 438 |
| GAAP net income (loss) as a percentage of revenues | (0.3) | 2.3 | | 0.3 | 2.4 |
| Non GAAP net income as a percentage of revenues | 3.9 | 3.1 | | 3.6 | 3.1 |
| GAAP basic and diluted net earnings (loss) per share | (0.02) | 0.06 | | 0.005 | 0.03 |
| Non-GAAP basic and diluted net earnings per share | 0.19 | 0.08 | | 0.09 | 0.04 |

MAGAL SECURITY SYSTEMS LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(All numbers expressed in thousands of US\$)

| | | |
|-----------------|------------------|----------------------|
| | June 30, 2008 | December 31, 2007 |
| CURRENT ASSETS: | | |

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| | | |
|--|---------|---------|
| Cash and cash equivalents | 12,220 | 9,205 |
| Marketable securities | 9,732 | 9,464 |
| Short term bank deposits | 4,496 | 11,220 |
| Trade receivables | 24,282 | 26,775 |
| Unbilled accounts receivable | 5,204 | 4,053 |
| Other accounts receivable and prepaid expenses | 6,935 | 5,753 |
| Deferred income taxes | 2,479 | 1,936 |
| Inventories | 16,884 | 23,785 |
| Total current assets | 82,232 | 92,191 |
| Long term investments and receivables: | | |
| Long-term trade receivables | 2,076 | 2,019 |
| Long-term loans | 919 | 808 |
| Long-term bank deposits | 1,834 | 1,846 |
| Escrow deposit | 992 | 4,442 |
| Severance pay fund | 2,853 | 2,765 |
| Total long-term investments and receivables | 8,674 | 11,880 |
| PROPERTY AND EQUIPMENT, NET | 8,987 | 8,429 |
| DEFERRED INCOME TAXES | 2,220 | 763 |
| OTHER INTANGIBLE ASSETS, NET | 5,277 | 7,040 |
| GOODWILL | 12,847 | 5,610 |
| ASSETS ATTRIBUTED TO DISCONTINUED OPERATION | 60 | 244 |
| Total assets | 120,297 | 126,157 |
| CURRENT LIABILITIES: | | |
| Short-term bank credit | 15,183 | 16,434 |
| Current maturities of long-term bank debt | 4,303 | 4,303 |
| Trade payables | 4,192 | 7,344 |
| Other accounts payable, accrued expenses and customer advances | 16,966 | 22,584 |
| Total current liabilities | 40,644 | 50,665 |
| LONG-TERM LIABILITIES: | | |
| Long-term bank debt | 2,695 | 3,095 |
| Deferred income taxes | 4,029 | 2,097 |
| Accrued severance pay | 4,135 | 3,873 |
| Total long-term liabilities | 10,859 | 9,065 |
| LIABILITIES ATTRIBUTED TO DISCONTINUED OPERATION | 246 | 849 |
| SHAREHOLDERS' EQUITY | 68,548 | 65,578 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 120,297 | 126,157 |
| Total bank debt to total capitalization | 0.32 | 0.36 |
| Current ratio | 2.02 | 1.82 |

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Contacts:

Company Investor Relations

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GK Investor Relations
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E-mail: info@gkir.com

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 by the undersigned, thereunto duly authorized.

MAGAL SECURITY SYSTEMS LTD.
(Registrant)

By: /s/ Izhar Dekel

Izhar Dekel
Chief Executive Officer

Date: July 30, 2008