

## Digi International Reports Second Fiscal Quarter 2009 Results

Announces Business Restructuring to Increase Focus on Wireless Solutions and Improve Profitability

Meets Street consensus of \$0.03 per share profitability

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**Related:** [Digi International Inc.](#)

MINNEAPOLIS--(BUSINESS WIRE)--Digi International® Inc. (NASDAQ: DGII, [www.digi.com](http://www.digi.com)) reported revenue of \$40.1 million for the second fiscal quarter of 2009, compared with \$43.1 million for the second fiscal quarter of 2008, a decrease of \$3.0 million, or 6.9%. Digi reported net income for the twenty-fifth consecutive quarter, and met both revenue and earnings per share guidance for the second quarter of fiscal 2009.

### Related Quotes

Symbol	Price	Change
DGII	6.63	0.00



Below is a table setting forth certain GAAP and Non-GAAP results:

GAAP Results				
(in thousands, except per share amounts)	Q2 2009	Q2 2008	YTD 2009	YTD 2008
<b>Net Sales</b>	\$40,085	\$43,070	\$81,446	\$87,644
<b>Operating Income</b>	\$599	\$3,673	\$1,365	\$8,252
<b>Net Income</b>	\$715	\$3,097	\$1,731	\$6,767
<b>Net Income per Diluted Share</b>	\$0.03	\$0.12	\$0.07	\$0.26

  

Non-GAAP Results				
(in thousands, except per share amounts)	Q2 2009	Q2 2008	YTD 2009	YTD 2008
<b>Operating Income</b>	\$599	\$3,673	\$1,365	\$8,252
<b>Net Income</b>	\$671 (1)	\$3,097	\$1,317 (2)	\$6,767
<b>Net Income per Diluted Share</b>	\$0.03 (1)	\$0.12	\$0.05 (2)	\$0.26

(1) Non-GAAP net income and net income per diluted share for the second fiscal quarter of 2009 exclude a tax benefit of \$43,692 for the reversal of tax reserves due to the resolution of a state tax matter.

(2) Non-GAAP net income and net income per diluted share for the first six months of fiscal 2009 exclude a tax benefit of \$370,499 due to the extension in the first quarter of fiscal 2009 of the income tax credit for research and development for the last three quarters of fiscal 2008, and a tax benefit of \$43,692 for the reversal of tax reserves due to the resolution of a state tax matter.

"Digi has continued to invest aggressively in technology and innovation through this downturn," said Joseph Dunsmore, Digi's CEO. "During the quarter we announced the rollout of the most strategic initiative since I've been at Digi. The iDigi Energy solution bundle is our first in what will become a series of iDigi solution bundles that make wireless M2M fast, easy, and inexpensive."

#### **Business Results for the Three and Six Months Ended March 31, 2009**

Revenue from embedded products in the second fiscal quarter of 2009 was \$17.4 million compared to \$21.7 million in the second fiscal quarter of 2008, a decrease of \$4.3 million, or 20.0%. Revenue from non-embedded products was \$22.7 million in the second fiscal quarter of 2009 compared to \$21.4 million in the second fiscal quarter of 2008, an increase of \$1.3 million, or 6.4%. Revenue from embedded products includes \$1.2 million of Spectrum revenue in the second fiscal quarter of 2009. Revenue from non-embedded products includes Sarian-branded revenue of \$5.0 million for the second fiscal quarter of 2009. Sarian Systems, Ltd. and Spectrum Design Solutions, Inc. were acquired in April 2008 and July 2008, respectively. The strengthening of the U.S. dollar compared to the Euro and UK pound sterling had an unfavorable impact on revenue of \$2.7 million in the second fiscal quarter of 2009 compared to the second fiscal quarter of 2008.

Revenue by geographic region is shown below:

Revenue by Geographic Region  
(in thousands)

	Q2 2009	Q2 2008	YTD 2009	YTD 2008
EMEA (Europe, Middle East and Africa)	\$ 14,934 (1)	\$ 12,785	\$ 28,262 (1)	\$ 23,929
Latin America	651	1,705	1,705	2,482
North America	20,724 (2)	23,959	43,869 (2)	52,083
Asia Pacific	3,776	4,621	7,610	9,150
Total revenue	\$ 40,085	\$ 43,070	\$ 81,446	\$ 87,644

(1) Includes Sarian revenue of \$5.0 million and \$8.1 million for the three and six months ended March 31, 2009, respectively.

(2) Includes Spectrum revenue of \$1.2 million and \$2.2 million for the three and six months ended March 31, 2009, respectively.

Gross profit was \$19.2 million in the second fiscal quarter of 2009 compared to \$23.2 million in the same period in the prior year. The gross margin was 47.8% in the second fiscal quarter of 2009 compared to 53.8% in the second fiscal quarter of 2008. The gross margin was lower in the second fiscal quarter of 2009 than in the comparable period a year ago due to unfavorable product mix within primarily the non-embedded products, including sales of Sarian non-embedded products which provide lower gross profit margins. The strengthening of the U.S. dollar compared to the Euro and UK pound sterling had an unfavorable impact on gross margin of approximately 1.1% in the second quarter of fiscal 2009 compared to the comparable year ago quarter.

Total operating expenses in the second fiscal quarter of 2009 were \$18.6 million, or 46.3% of revenue, compared to \$19.5 million, or 45.3% of revenue, in the second fiscal quarter of 2008. The decrease in operating expenses in the second fiscal quarter of 2009 compared to the same quarter in the prior year is primarily due to the elimination of all incentive compensation previously accrued for fiscal 2009, since this program was eliminated for the entire fiscal year. Effective cost management offset the incremental ongoing operating expenses for Sarian and Spectrum.

Total other income, net decreased by \$0.6 million in the second fiscal quarter of 2009 compared to the same quarter in the prior year primarily due to lower interest yields on cash equivalents and marketable securities.

Reported net income was \$0.7 million in the second fiscal quarter of 2009, or \$0.03 per diluted share, compared to \$3.1 million, or \$0.12 per diluted share, in the second fiscal quarter of 2008. Non-GAAP net income and net income per diluted share for the second fiscal quarter of 2009 were also \$0.7 million, or \$0.03 per diluted share, as detailed later in this earnings release.

For the six months ended March 31, 2009, Digi reported revenue of \$81.4 million compared to revenue of \$87.6 million for the six months ended March 31, 2008, a decrease of \$6.2 million, or 7.1%. Revenue from embedded products for the first six months of fiscal 2009 was \$35.4 million compared to \$42.4 million in the first six months of fiscal 2008, a decrease of \$7.0 million, or 16.6%. Revenue from non-embedded products was \$46.0 million in the first six months of fiscal 2009 compared to \$45.2 million in the first six months of fiscal 2008, an increase of \$0.8 million, or 1.9%. Revenue from embedded products includes \$2.2 million of Spectrum revenue in the first six months of fiscal 2009. Revenue from non-embedded products includes Sarian-branded revenue of \$8.1 million for the first six months of fiscal 2009. The strengthening of the U.S. dollar compared to the Euro and UK pound sterling had an unfavorable impact on revenue of \$4.1 million for the first six months of fiscal 2009 compared to the first six months of fiscal 2008.

For the six months ended March 31, 2009, Digi reported net income of \$1.7 million, or \$0.07 per diluted share, compared to net income for the six months ended March 31, 2008 of \$6.8 million, or \$0.26 per diluted share. Net income benefited by \$0.4 million, or \$0.02 per diluted share, during the first six months of fiscal 2009 as a result of a retroactive benefit from the extension of the research and development credit and the reversal of tax reserves due to the resolution of a state tax matter.

Digi's cash and cash equivalents and marketable securities balance, including long-term marketable securities, was \$63.6 million at March 31, 2009, a decrease of \$6.6 million from December 31, 2008. Digi re-purchased 834,190 shares of stock in the second quarter of fiscal 2009 for \$6.1 million. Please refer to the Condensed Consolidated Statements of Cash Flows which is included in this earnings release for additional cash flow details. At March 31, 2009, Digi's current ratio was 6.4 to 1 compared to 6.7 to 1 at December 31, 2008.