

Edgar Filing: IONICS INC - Form 8-K

IONICS INC  
Form 8-K  
November 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): November 9, 2004

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

Massachusetts  
(State of incorporation)

1-7211  
(Commission File Number)

04-  
(IRS Employee  
N

65 Grove Street, Watertown, MA  
(Address of principal executive offices)

02472  
(Zip Code)

617-926-2500  
(Registrant's telephone number,  
including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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## ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

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

## ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

### (c) Exhibits

Exhibit No. -----	Description -----
99	Press Release dated November 9, 2004 reporting the financial results of Ionics, Incorporated for the quarter ended September 30, 2004.

### 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 hereunto duly authorized.

Date: November 9, 2004

IONICS, INCORPORATED  
(Registrant)

By: /s/Stephen Korn  
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Stephen Korn  
Vice President and General Counsel

### EXHIBIT INDEX

Exhibit Number -----	Description -----
99	Press Release dated November 9, 2004, reporting the financial results of Ionics, Incorporated for the quarter ended September 30, 2004.

IONICS REPORTS RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2004

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Watertown, MA, November 9, 2004...Ionics, Incorporated (NYSE-ION) today filed its quarterly report on Form 10-Q, reporting results for the three and nine month periods ended September 30, 2004. Third quarter revenues were \$118.1 million, compared to \$87.7 million for the third quarter of 2003. Net income of \$0.9 million, or \$0.04 per share, in Q3 2004 compared to a net loss of (\$22.0) million, or (\$1.24) per share, for Q3 2003. The earnings per share from continuing operations were \$0.06 in Q3 2004, compared to a loss per share of (\$0.99) in Q3 2003. Excluding amortization of intangibles, net of statutory tax rate of 38%, the results of continuing operations were \$0.13, compared to a loss per share of (\$0.99) in the third quarter of 2003.

Revenues for the first nine months of 2004 were \$349.6 million, compared to \$251.5 million for the first nine months of 2003. The net loss was (\$5.4) million, or (\$0.25) per share, for the first nine months of 2004, compared to a net loss of (\$26.4) million, or (\$1.50) per share, for the first nine months of 2003. The loss per share from continuing operations was (\$0.07) for the first nine months of 2004, compared to a loss per share of (\$1.06) per share for the first nine months of 2003. Earnings per share from continuing operations, excluding amortization of intangibles, net of statutory tax rate of 38%, was \$0.11, compared to a loss per share of (\$1.05) in the first nine months of 2003.

Income from continuing operations before income taxes and minority interest expense for the third quarter and for the first nine months of 2004 was \$3.3 million and \$5.1 million, respectively. This compares to a loss from continuing operations before income taxes and minority interest expense for the third quarter and first nine months of 2003 of (\$25.8) million and (\$27.0) million, respectively. Items impacting the results for the third quarter of 2004 include third party expenses of \$0.6 million for systems development and \$1.1 million for Sarbanes-Oxley Section 404 preparedness charges. Also during the quarter, manufacturing at one of the Company's facilities in Pennsylvania was temporarily halted as a result of flooding associated with Hurricane Ivan. This resulted in delays of certain projects, which adversely impacted the results for the quarter by approximately \$0.5 million on a pretax basis. The Company expects to recover this income through subsequent completion of the projects, as well as through its business interruption insurance.

Also included in the Company's financial results 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 provisions of FIN46. Ecolochem revenues for the quarter and the first nine months were \$22.3 million and \$58.5 million, respectively. Desalcott revenues for the quarter and for the first nine months were \$7.4 million and \$21.8 million, respectively.

Commenting on the results for the quarter, CEO Doug Brown said, "I am pleased with the Company's financial results which demonstrate the impact of the numerous restructuring initiatives launched over the past year. We are continuing to implement programs designed to further increase the Company's profitability." For further information about the Company's third quarter and first nine months 2004 financial results, please refer to the Company's quarterly report on Form 10-Q.

Ionics will host a conference call on Thursday, November 11, 2004 at 10:00AM, EST to discuss its third-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.

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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](http://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 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 September 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.

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IONICS REPORTS THIRD QUARTER RESULTS

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Amounts in thousands, except per share amounts)

Three months ended September 30,	Nine months end September 30,
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	2004	2003	2004	2003
Revenues:				
Equipment Sales	\$ 32,843	\$ 36,799	\$ 104,264	\$ 99,843
Operations	62,865	28,179	177,541	82,843
Consumer Water	4,465	3,708	12,455	9,843
Instruments	9,614	7,880	28,065	24,843
Affiliated companies	8,346	11,119	27,262	35,843
	118,133	87,685	349,587	251,843
Costs and expenses:				
Cost of sales of Equipment Sales	26,561	36,002	84,867	85,843
Cost of sales of Operations	40,235	19,998	113,588	58,843
Cost of sales of Consumer Water	1,604	2,806	5,081	5,843
Cost of sales of Instruments	4,391	3,558	12,374	11,843
Cost of sales to affiliated companies	7,411	9,575	24,014	30,843
Research and development	1,504	1,784	4,607	5,843
Selling, general and administrative	29,166	22,473	87,895	63,843
Impairment of long-lived assets	-	2,499	-	2,843
Restructuring charges, net	-	2,470	1,188	2,843
Impairment of goodwill	-	12,731	-	12,843
	110,872	113,896	333,614	277,843
Income (loss) from continuing operations	7,261	(26,211)	15,973	(25,843)
Interest (expense) income, net	(5,174)	406	(13,410)	1,843
Equity income (loss)	1,210	43	2,501	(2,843)
Income (loss) from continuing operations before gain on sale of Aqua Cool, income taxes and minority interest expense	3,297	(25,762)	5,064	(27,843)
Gain on sale of Aqua Cool	-	457	-	-
Income tax (expense) benefit	(1,652)	7,981	(5,879)	8,843
Income (loss) from continuing operations before minority interest expense	1,645	(17,324)	(815)	(18,843)
Minority interest expense	282	249	766	-
Income (loss) from continuing operations	1,363	(17,573)	(1,581)	(18,843)
Loss from discontinued operations, net of tax	(473)	(4,459)	(3,807)	(7,843)
Net income (loss)	\$ 890	\$ (22,032)	\$ (5,388)	\$ (26,843)
Basic income (loss) per share from continuing operations	\$ 0.06	\$ (0.99)	\$ (0.07)	\$ (1.00)
Basic loss per share from discontinued operations	(0.02)	(0.25)	(0.17)	(0.00)

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Basic net income (loss) per share	\$ 0.04	\$ (1.24)	\$ (0.25)	\$ (1.24)
Diluted income (loss) per share from continuing operations	\$ 0.06	\$ (0.99)	\$ (0.07)	\$ (0.99)
Diluted loss per share from discontinued operations	(0.02)	(0.25)	(0.17)	(0.17)
Diluted net income (loss) per share	\$ 0.04	\$ (1.24)	\$ (0.25)	\$ (1.24)
Shares used in basic income (loss) per share calculations	22,637	17,699	21,849	17,699
Shares used in diluted income (loss) per share calculations	22,891	17,699	21,849	17,699
Backlog			409,425	332,000

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Other Data:

	Three months ended September 30,		Nine months end September 30,	
	2004	2003	2004	2003
Reconciliation of income (loss) from continuing operations to net income (loss) from continuing operations adjusted for amortization of intangibles, net of tax:				
Income (loss) from continuing operations	\$ 1,363	\$ (17,573)	\$ (1,581)	\$ (18,153)
Add back:				
Amortization of intangibles, net of tax	1,521	128	3,889	3,889
Net income (loss) from continuing operations adjusted for amortization of intangibles, net of tax	\$ 2,884	\$ (17,445)	\$ 2,308	\$ (14,264)
Diluted income (loss) per share from continuing operations	\$ 0.06	\$ (0.99)	\$ (0.07)	\$ (0.99)
Add back:				
Amortization of intangibles, net of tax	0.07	0.01	0.18	0.18
Diluted income (loss) per share from continuing operations adjusted for amortization of intangibles, net of tax	\$ 0.13	\$ (0.99)	\$ 0.11	\$ (0.81)

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IONICS REPORTS THIRD QUARTER RESULTS  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Amounts in thousands)

	September 30, 2004	Decem 2
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Current assets:		
Cash and cash equivalents	\$ 59,439	\$ 1
Short-term investments	1,504	
Notes receivable, current	5,912	
Accounts receivable, net	128,228	
Receivables from affiliated companies	23,342	
Inventories	29,197	
Assets from discontinued operations	796	
Other current assets	40,089	
	-----	-----
Total current assets	288,507	3
Restricted cash	12,400	
Receivables from affiliated companies, long-term	11,919	
Notes receivable, long-term, net	37,641	
Investments in affiliated companies	10,164	
Property, plant and equipment, net	392,649	1
Goodwill	185,578	
Intangible assets, net	74,787	
Other assets	31,172	
	-----	-----
Total assets	\$ 1,044,817	\$ 5
	=====	=====
Current liabilities:		
Notes payable and current portion of long-term debt	\$ 8,738	\$
Accounts payable	37,121	
Billings in advance from affiliated companies	-	
Liabilities from discontinued operations	-	
Other current liabilities	104,276	
	-----	-----
Total current liabilities	150,135	1
Long-term debt and notes payable	277,763	
Deferred income taxes	33,677	
Minority interest	15,084	
Accumulated losses in investments in affiliated companies	3,279	
Other liabilities	10,374	
Stockholders' equity	554,505	4
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Total liabilities and stockholders' equity

\$ 1,044,817

\$ 5

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