

XYRATEX LTD
Form 6-K
March 23, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

March 23, 2005

XYRATEX LTD

(Registrant's name)

Langstone Road

Havant

PO9 ISA

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

SIGNATURES

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.

XYRATEX LTD
(Registrant)

By

/s/ STEVE BARBER
Name: Steve Barber
Title: Chief Executive Officer

Date: March 23, 2005

NEWS RELEASE

For Immediate Release

Xyratex Ltd Announces Results for the First Quarter Fiscal Year 2005

Q1 Revenues \$142.5 million, up 19.5% Year over Year

Havant, UK March 23, 2005 Xyratex Ltd (Nasdaq: XRTX), a leading provider of modular enterprise class data storage subsystems and storage process technology, today announced results for the first fiscal quarter, ended February 28th, 2005. Revenues for the quarter were \$142.5 million, an increase of 19.5% compared to revenues of \$119.3 million for the same period last year and a 22.1% increase compared to \$116.7 million in the prior quarter.

For the first fiscal quarter, GAAP net income was \$9.4 million, or \$0.33 per diluted share. Non-GAAP net income was \$9.9 million, or a diluted earnings per share of \$0.34, compared to non-GAAP net income of \$12.6 million in the same quarter a year ago. A reconciliation between net income on a GAAP basis and net income on a non-GAAP basis is provided in a table immediately following the Consolidated Statements of Cash Flows , below.

Gross profit margin in the first quarter was 20.8%, compared to 24.2% in the same period last year and 20.8% in the prior quarter.

We are extremely pleased with the strong results we have achieved at the start of our 2005 fiscal year. We continue to see strong demand for our products and technologies within both businesses, and believe this reflects the strong trends we have seen across the whole storage industry, said Steve Barber, CEO of Xyratex. We are very excited by the number of market factors driving growth specifically for our enabling technology and process equipment. We remain focused on executing the delivery of current and next generation technologies, as key enablers for our customers in the markets they serve. These innovations will allow us to expand our share in current and emerging market opportunities.

Business Highlights

We shipped our millionth disk drive test slot to our hard drive customers in the quarter; further evidence of the increasing demand for hard drives to support the accelerating growth in data storage.

We announced the release of a new series of flexible storage platforms incorporating ATX server technology at Cebit in Europe. The platform brings together the emerging low cost technologies of high capacity disk drives and ATX servers and integrates them with high speed network connections and industry standard operating systems.

We showcased our latest technology at IDF demonstrating our latest 4Gb/sec Fibre channel and SAS Storage Systems products with our industry partners. We also presented technical papers on Advanced Switching Interconnect (ASI) for the PCI Express architecture, a key future interconnect technology, at the same event.

Business Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not include the potential impact of any future acquisitions or divestitures.

Revenue in the second fiscal quarter of 2005 is projected to be in the range \$155 to \$165 million.

Fully diluted earnings per share is anticipated to be between \$0.32 and \$0.39 on a GAAP basis in the second quarter. On a non-GAAP basis fully diluted earnings per share is anticipated to be between \$0.34 and \$0.41. Non-GAAP earnings per share excludes non-cash equity compensation, amortization of intangible assets, certain other acquisition related charges and related taxation expense.

Conference Call Information

The Xyratex quarterly results conference call will be broadcast live via the internet at <http://www.xyratex.com/investors> on Wednesday, March 23, 2005 at 2:00 p.m. Pacific Time/5:00 p.m. Eastern Time. The press release will be posted to the company web site www.xyratex.com.

A replay will be available through March 30, 2005 following the live call by dialing (888) 286-8010 in the United States and (617) 801-6888 outside the United States, replay code 76285597.

Safe Harbor Statement

The foregoing information contains forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include those listed under Risk Factors and elsewhere in our Annual Report on Form 20-F as filed with the Securities and Exchange Commission (File No. 333-116083). In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, estimates, predicts, potential, and other similar terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are

reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

About Xyratex

Xyratex is a leading provider of modular enterprise class data storage subsystems and storage process technology. The company designs and manufactures enabling technology that provides OEM and disk drive manufacturer customers with data storage products to support high-performance storage and data communication networks. Xyratex has over 20 years of experience in research and development relating to disk drives, storage systems and high-speed communication protocols.

Founded in 1994 in a management buy-out from IBM, and with its headquarters in the UK, Xyratex has an established global base with R&D and operational facilities in Europe, the United States and South East Asia.

Contacts:

Xyratex Investor Relations

Brad Driver
Tel: +1 (408) 325-7260
Email: bdriver@us.xyratex.com
Website: www.xyratex.com

Xyratex Public Relations

Curtis Chan
CHAN & ASSOCIATES, INC.
Tel: +1 (714) 447-4993
Email: cj_chan@chanandassoc.com

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended | |
|---|----------------------|----------------------|
| | February 28, 2005 | February 29, 2004 |
| (US dollars in thousands, except per share amounts) | | |
| Revenues | \$ 142,523 | \$ 119,285 |
| Cost of revenues | 112,840 | 90,375 |
| Gross profit | 29,683 | 28,910 |
| Operating expenses: | | |
| Research and development - development arrangement | | (6,000) |
| Research and development - other | 10,562 | 7,950 |
| Total research and development | 10,562 | 1,950 |
| Selling, general and administrative - non cash equity compensation | 190 | |
| Selling, general and administrative - other | 8,405 | 6,358 |
| Total selling, general and administrative | 8,595 | 6,358 |
| Amortization of intangible assets | 398 | |
| Other costs | | 1,424 |
| Total operating expenses | 19,555 | 9,732 |
| Operating income | 10,128 | 19,178 |
| Interest income, net | 349 | 848 |
| Income before income taxes | 10,477 | 20,026 |
| Provision for income taxes | 1,034 | 2,155 |
| Net income | 9,443 | 17,871 |
| Net income per share: | | |
| Basic | \$ 0.34 | \$ 1.61 |
| Diluted | \$ 0.33 | \$ 1.61 |
| Weighted average common shares and class B preferred ordinary shares, respectively (in thousands), used in computing net income per share | | |
| Basic | 28,121 | 11,099 |
| Diluted | 28,900 | 11,099 |
| Pro forma net income per common share from continuing operations (a) | | |
| Basic | \$ 0.34 | \$ 0.81 |
| Diluted | \$ 0.33 | \$ 0.76 |
| Weighted-average common shares (in thousands), used in computing the pro forma net income per share: | | |
| Basic | 28,121 | 22,185 |
| Diluted | 28,900 | 23,374 |

(a) Pro forma net income per share reflects the conversion of Xyratex Group Limited class A and class B preferred ordinary shares and class C ordinary shares to common shares of Xyratex Ltd on completion of its initial public offering, on June 29, 2004.

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | February 28, 2005 | | November 30, 2004 |
|--|--|-----------|----------------------|
| | (US dollars and amounts in thousands) | | |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 56,440 | \$ | 63,495 |
| Accounts receivable, net | 79,009 | | 49,656 |
| Inventories | 50,740 | | 43,014 |
| Prepaid expenses | 2,567 | | 2,594 |
| Deferred income taxes | 7,893 | | 6,774 |
| Other current assets | 4,022 | | 2,855 |
| Total current assets | 200,671 | | 168,388 |
| Property, plant and equipment, net | 15,075 | | 14,495 |
| Intangible assets, net | 8,516 | | 7,911 |
| Deferred income taxes | 11,436 | | 14,448 |
| Total assets | \$ 235,698 | \$ | 205,242 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 69,189 | \$ | 47,067 |
| Acquisition note payable | | | 2,000 |
| Short-term borrowings | 4,000 | | 4,000 |
| Employee compensation and benefits payable | 8,077 | | 10,811 |
| Deferred revenue | 4,467 | | 1,887 |
| Income taxes payable | 295 | | 462 |
| Deferred income taxes | 648 | | 536 |
| Amount payable to related party | 137 | | |
| Other accrued liabilities | 10,294 | | 10,778 |
| Total current liabilities | 97,107 | | 77,541 |
| Long-term debt | 10,000 | | 11,000 |
| Total liabilities | 107,107 | | 88,541 |
| Shareholders' equity | | | |
| Common shares of Xyratex Ltd (in thousands), par value \$0.01 per share 70,000 authorized, 28,344 and 28,043 issued and outstanding | 283 | | 280 |
| Additional paid-in capital | 331,611 | | 329,267 |
| Accumulated other comprehensive income | 855 | | 755 |
| Accumulated deficit | (204,158) | | (213,601) |
| Total shareholders' equity | 128,591 | | 116,701 |
| Total liabilities and shareholders' equity | \$ 235,698 | \$ | 205,242 |

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Three Months Ended | |
|---|---------------------------|----------------------|
| | February 28, 2005 | February 29, 2004 |
| | (US dollars in thousands) | |
| Cash flows from operating activities: | | |
| Net income | \$ 9,443 | \$ 17,871 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 1,588 | 1,164 |
| Amortization of intangible assets | 398 | 29 |
| Non-cash equity compensation | 190 | |
| Bonus paid by trust | 144 | |
| Gain on sale of assets | | (36) |
| Supplier note receivable | | (6,000) |
| Changes in assets and liabilities, net of impact of acquisitions and divestitures | | |
| Accounts receivable | (29,353) | 1,901 |
| Inventories | (7,726) | (2,269) |
| Prepaid expenses and other current assets | (117) | (1,991) |
| Accounts payable | 22,122 | 2,848 |
| Customer advance | | (460) |
| Employee compensation and benefits payable | (2,734) | (4,376) |
| Deferred revenue | 2,580 | (6,995) |
| Income taxes payable | (167) | 343 |
| Deferred income taxes | 2,464 | 1,682 |
| Amount payable to related party | 137 | 161 |
| Other accrued liabilities | (1,234) | 2,390 |
| Net cash provided by (used in) operating activities | (2,265) | 6,262 |
| Cash flows from investing activities: | | |
| Investments in property, plant and equipment | (2,168) | (1,328) |
| Dispositions of property, plant and equipment | | 36 |
| Acquisition of business, net of cash received | (253) | (5,585) |
| Net cash used in investing activities | (2,421) | (6,877) |
| Cash flows from financing activities: | | |
| Net payments of short-term borrowings | | (133) |
| Payment of acquisition note payable | (2,000) | |
| Payments of long-term borrowings | (1,000) | (1,000) |
| Proceeds from issuance of shares | 631 | 3,550 |
| Net cash provided by (used in) financing activities | (2,369) | 2,417 |
| Change in cash and cash equivalents | (7,055) | 1,802 |
| Cash and cash equivalents at beginning of period | 63,495 | 2,008 |
| Cash and cash equivalents at end of period | \$ 56,440 | \$ 3,810 |

XYRATEX LTD

UNAUDITED RECONCILIATION OF GAAP NET INCOME FROM CONTINUING OPERATIONS TO NON-GAAP NET INCOME

| | GAAP February 28, 2005 | Three Months Ended Non-GAAP Adjustment (a) | Non-GAAP February 28, 2005 |
|--|---|---|----------------------------------|
| | (US dollars in thousands, except per share amounts) | | |
| Revenues | \$ 142,523 | | \$ 142,523 |
| Cost of revenues | 112,840 | | 112,840 |
| Gross profit | 29,683 | | 29,683 |
| Operating expenses: | | | |
| Research and development - other | 10,562 | | 10,562 |
| Total research and development | 10,562 | | 10,562 |
| Selling, general and administrative - non cash equity compensation | 190 | (190) | |
| Selling, general and administrative - other | 8,405 | | 8,405 |
| Total selling, general and administrative | 8,595 | | 8,405 |
| Amortization of intangible assets | 398 | (398) | |
| Total operating expenses | 19,555 | | 18,967 |
| Operating income | 10,128 | | 10,716 |
| Interest income, net | 349 | | 349 |
| Income before income taxes | 10,477 | | 11,065 |
| Provision for income taxes | 1,034 | 119 | 1,153 |
| Net income | \$ 9,443 | | \$ 9,912 |
| Pro forma net income per common share | | | |
| Basic | \$ 0.34 | | \$ 0.35 |
| Diluted | \$ 0.33 | | \$ 0.34 |
| Weighted-average common shares (in thousands), used in computing the pro forma net income per share: | | | |
| Basic | 28,121 | | 28,121 |
| Diluted | 28,900 | | 28,900 |

XYRATEX LTD

UNAUDITED RECONCILIATION OF GAAP NET INCOME FROM CONTINUING OPERATIONS TO NON-GAAP NET INCOME

| | GAAP February 29, 2004 | Three Months Ended Non-GAAP Adjustment (a) | Non-GAAP February 29, 2004 |
|--|------------------------------|---|----------------------------------|
| (US dollars in thousands, except per share amounts) | | | |
| Revenues | \$ 119,285 | | \$ 119,285 |
| Cost of revenues - other | 90,375 | | 90,375 |
| Gross profit | 28,910 | | 28,910 |
| Operating expenses: | | | |
| Research and development - development arrangement | (6,000) | 6,000 | |
| Research and development - other | 7,950 | | 7,950 |
| Total research and development | 1,950 | | 7,950 |
| Selling, general and administrative - other | 6,358 | | 6,358 |
| Total selling, general and administrative | 6,358 | | 6,358 |
| Other costs | 1,424 | (1,424) | |
| Total operating expenses | 9,732 | | 14,308 |
| Operating income | 19,178 | | 14,602 |
| Interest income (expense), net | 848 | (933) | (85) |
| Income before income taxes | 20,026 | | 14,517 |
| Provision for income taxes | 2,155 | (280) | 1,875 |
| Net income | \$ 17,871 | | \$ 12,642 |
| Pro forma net income per common share | | | |
| Basic | \$ 0.81 | | \$ 0.57 |
| Diluted | \$ 0.76 | | \$ 0.54 |
| Weighted-average common shares (in thousands), used in computing the pro forma net income per share: | | | |
| Basic | 22,185 | | 22,185 |
| Diluted | 23,374 | | 23,374 |

(a) Non-GAAP Adjustment for the three months ended February 28, 2005 includes non-cash equity compensation expense, non-cash amortization of intangible assets and the related tax effects. Non-GAAP Adjustment for the three months ended February 29, 2004 includes the elimination of the bad debt allowance on a supplier loan of \$6,000,000 and accrued interest of \$933,000 together with the related tax on the accrued interest and expenses recorded in connection with our preparation for our initial public offering

We believe these Non-GAAP measures are useful to investors because they provide an alternative method of measuring the operating performance of our business by excluding certain expenses, gains and losses which we believe are not indicative of our core operating results.

(b) Pro forma earnings per share reflects the conversion of Xyratex Group Limited class A and class B preferred ordinary shares and class C ordinary shares to common shares of Xyratex Ltd on completion of its initial public offering, on June 29, 2004.