

Company [BATM Advanced Communications
Ld](#)
TIDM BVC
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BATM Advanced Communications Ld
27 February 2012

BATM Advanced Communications Limited
Preliminary results for 2011

BATM Advanced Communications Limited ("BATM" or "the Company") (LSE: BVC), a leading designer and producer of broadband data and telecoms systems and medical laboratory equipment, announces its preliminary results for the year ended 31 December 2011.

Highlights

- Overall revenue growth of 6% with organic revenue growth of 14% delivered in Medical division
- Telecom division gross margin (excluding write offs related to legacy business) increased by 3% over 2010 and slight increase in Medical gross margin from 20.6% to 21.4%
- Development of Medical division continues but year adversely affected by slower than anticipated certifications
- Balance sheet remains strong with \$47 million net cash
- Telco legacy business to be wound down to focus on IP growth resulting in one off costs of \$5.3m

Full Year Highlights

Year ended 31 December	2011	2010	Change %
Revenue	\$127.6m	\$120.6m	5.80%
Gross profit	\$43.4m	\$42.7m	1.64%
Adjusted Operating Profit(*)	\$5.6m	\$5.6m	
Other operating expenses	\$6.72m	\$4.52m	49%
Profit (loss) for the period (after write off of legacy business)	\$(5.0)m	\$0.2m	
Earnings/ (loss) per share (basic)	(0.92)c	0.42c	

(*) excluding other operating expenses and stock write-down related to telecom legacy business of \$2.2m in 2011

Dr Zvi Marom, Chief Executive of BATM said:

"Despite a weak trading environment in 2011 and adverse currency fluctuations I am encouraged to be able to report increases in both revenues and the gross profits of the business.

The Board has, following the review announced on 12 December 2011, decided to make structural changes to our Telecom division by curtailing certain legacy business lines. The positive results of this re-organisation are already being felt in 2012.

In addition we are introducing a number of new products and services both in the Telecom and Medical divisions that should provide positive ongoing growth prospects.

I thank our management team and staff at all levels for their efforts and shareholders for their continued support."

For further information please contact: 27 February Thereafter

BATM Advanced Communications Limited

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General review

BATM has come through a difficult year given the adverse effects of both ongoing global economic turmoil and a rapidly changing competitive environment, with results that management has hoped to exceed but with positive signs that the strategy we have adopted remains the key to a return to growth and profitability. The board has conducted a thorough review of every segment of our business and stands firmly behind the continued development of the Telecom and Medical divisions.

Financial Review

Revenues for the year of 2011 increased by \$7 million to \$127.6 million (2010: \$120.6 million). Telecom division revenues increased 2% to \$81.3 million (2010: \$79.9 million) and Medical division revenues increased 14% to \$46.3 million (2010: \$40.7 million). Revenues from the telecom legacy business were \$16.9 million representing 21% of the total telecom revenues. As a result of the decision to curtail the legacy telecoms business the Company has taken one off charges to the income statement totalling \$5.3 million being made up of a stock write down of \$2.2 million reflected in cost of sales, severance payments of \$0.1 million and a \$3.0 million charge relating to amortisation of intangibles reflected within other operating expenses.

Overall gross profit margin for the year of 2011 was 34.0% (2010: 35.4%). The decrease was mostly due to a year end write off of \$2.2 million inventory related to the telecom legacy business, which is being discontinued and excluding this one off charge margins increased by 1.7%. The gross profit margin of the Telecom division for the year 2011 was 41.2% (2010: 42.9%). The gross profit margin of the Medical division for the year of 2011 was 21.4% (2010: 20.6%). A gross profit margin of 22% in the Medical division in the second half of 2011 reflected a positive trend and compared with 21% in H1 2011.

Sales and marketing expenses were \$16.3 million (2010: \$15.3 million), an increase of 6.5% over the previous year. The increase is mostly due to an increase of \$2 million in distribution and sales costs in the Medical division offset by a decrease of \$1 million in the sales expenses in the Telecom division.

General and administrative expenses were \$10.5 million (2010: \$9.2 million) an increase of \$1.3 million, mostly in the Telecom division. The erosion of the average rate of US dollar to the shekel plus costs associated with strengthening the top management of Telco Systems were the main contributors.

R&D investment in 2011 was \$13.2 million (2010: \$12.5 million). Actual R&D expenses in 2011 were lower than 2010 by \$0.2 million, however, 2010 expenses were offset by \$0.9 million payable on from the Israeli Chief Scientist compared with nil in 2011. Medical division R&D expenses increased by \$0.4 million mostly in the area of Diagnostic products.

Adjusted operating profit for the year was \$5.6m (2010: \$5.6m) (adjusted for the impact of one off stock depreciation linked to the curtailment of legacy telecoms activities). Operating profit for the year before other operating expenses was \$3.4 million (2010: profit of \$5.6 million). Another operating expense of \$6.7 million (2010: \$4.5 million) including a \$3.0 million charge to write off the remaining intangible assets associated with certain legacy products of the Telecom division, the net operating loss was \$3.3 million (2010: profit \$1.1 million).

Net finance expenses were \$0.8 million (2010: expenses \$0.1 million), comprised of \$0.9 million of interest income, as well as \$0.2 million of forward transaction gains, which offset \$1.2 million of foreign exchange losses and \$0.7 million of finance costs related mostly to bank loans. The finance costs include \$0.3 million of interest on a mortgage of our subsidiary in Italy that is expected to be cancelled in 2012. As a result of our lower revenues in Euros, BATM has reverted back to the US dollar as its functional currency, representing the primary economic operating environment of the company.

The majority of Tax expenses of \$0.9 million are \$0.7 million tax on the dividend paid in 2011 of \$5.1 million.

Net loss after tax attributable to equity holders of the parent amounted to \$3.7 million (2010: profit \$1.7 million), resulting in a basic loss per share of 0.92c (2010 earning: 0.42c).

Our balance sheet remains strong with effective liquidity of \$46.9 million, reflecting a decrease of \$7.8 million since the end of the first half of the year. The reduction in the cash balances is mainly a result of the dividend payment of \$5.8 million and payments on our properties in Israel and in Italy of \$2.0 million. These payments resulted in a reduction in both short term and long term debt of \$0.5 million and \$4.2 million respectively. Period end cash is comprised as follows: cash and deposits up to three months duration of \$23.0 million; short term cash deposits up to one year of \$23.9 million.

Intangible assets and Goodwill have decreased to \$26.2 million (December 2010: \$31.1 million). This decrease results from the amortisation of intangible assets and the write off of intangible assets relating to certain legacy products in the Telecom division.

Property, plant and equipment at the end of 2011 remained substantially unchanged compared with the end of 2010.

Total inventories increased from \$19.5 million at the end of 2010 and decreased from \$26.3 million at the end of June 2011 to \$24.3 million at the year-end 2011. The majority of the increase relates to the Telecoms division, where stocks have been increased to satisfy the growing demand for our new products. In addition, Medical division inventory has been increased to prepare for the launch of our new medical waste solution (ISS) in 2012.

Trade and other receivables at the end of 2011 decreased to \$27.5 million from \$30.9 million at the end of 2010. This decrease is largely due to decreased receivables in the Telecom division. Total liabilities decreased to \$45.3 million at the end of 2011 from \$49.9 million at the end of 2010. The majority of the decrease relates to the cash payments described above.

Business Review

Telecom Division

As reported in December, trading in our legacy business in the US has been below our expectations. Following a detailed strategic review, we have decided to separate the legacy products group in the US from the Telecom division and exit this part of our business during 2012.

In April, we announced the acquisition of the major assets of ANDA Networks. Following the acquisition, we began serving ANDA's existing client base and have re-branded the former ANDA products as Telco Systems products. The existing customers' business will stay with the legacy business while the same products under Telco Systems brand will continue to be offered as part of our Carrier Ethernet solutions.

In May, we announced the appointment of Itzik Weinstein as CEO of Telco Systems. Prior to joining us, Itzik served as CEO of ECTel, a provider of revenue management solutions to the telecommunications industry and a NASDAQ traded company. He is responsible for driving the growth in our Carrier Ethernet offering and will be directing a higher focus on our direct business in Europe and the Far-east.

As reported in October and November, our Telecom division secured two important new OEM agreements; one with Motorola Mobility and one with the largest tier 1 telecom vendor. The agreement with Motorola will allow them to help cable operators leverage their HFC infrastructure to provide complete solutions for commercial services. We have already started generating business from this agreement and expect this to grow significantly during 2012. The agreement with the tier 1 telecom vendor is currently focused on the business demarcation product line and is expected to contribute revenues in 2012.

Medical Division

Our distribution business continues to grow and perform as expected. We are now looking to expand it further into Bulgaria with the help of one of our major diagnostic vendors. We expect this move to have a positive contribution beginning in the second half of 2012.

Our sterilization business managed to finish strongly in 2011. We expect this trend to continue into 2012. The sales of the Integrated Shredder Sterilizer (ISS) to treat medical waste exceeded our revenue expectations, which were reported in the interim results. We continue to expand our marketing efforts on the success of this new product. In addition, we have recently received certification to sell our sterilizers in the domestic market in Israel. We plan to take advantage of these early successes for increased revenue in 2012.

The diagnostics business continues to require the vast majority of our investment in the Medical division and continued to make significant losses. As reported, the process to complete testing, certification and manufacturing will continue at least until the end of 2012. In the meantime, we remain fully committed to make the necessary investment and are confident that by 2013 we will start seeing the results of these investments. This business has considerable potential and we will continue to monitor its progress closely to ensure that the potential is maximised.

Registration of Shares in Tel-Aviv

Following our last update we received approval to delay our listing on the Tel-Aviv Stock Exchange. The Board has now decided to move ahead and hope to have a dual listing before the end of the first-half of 2012. We believe that this move will improve both visibility of the company and opportunities which may benefit the Company and its shareholders.

Dividends

In light of the results for the year and the Israeli Companies Law that permits distribution of dividends only from net profits during the last 2 years, the Board is not proposing the payment of a dividend for the year. We remain confident that we will be able to return to our progressive dividend policy as the results of our trading strategy produce the anticipated results.

Current Trading and Prospects

The initial indications from our first month of trading in 2012 are in line with our expectations. We are seeing continued progress in our Medical division and a reduction in legacy business in our Telecom division. Whilst this trend is likely to continue during the early months of 2012 we anticipate that our new business opportunities and products will start to have an increasing impact and although the full benefit is unlikely to become evident until next year, subject to the major world economic factors over which we have no control, we have every prospect of producing a significantly improved result for the year as a whole.

Peter Sheldon
Chairman

27 February 2012

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED INCOME STATEMENTS

	Year ended 31 December	
	2 0 1 1	2 0 1 0
	US\$ in thousands	
Revenues	127,634	120,578
Cost of revenues	<u>84,226</u>	<u>77,905</u>
Gross profit	<u>43,408</u>	<u>42,673</u>
Operating expenses		
Sales and marketing expenses	16,284	15,332
General and administrative expenses	10,495	9,241
Research and development expenses	13,194	12,450
Other operating expenses	<u>6,715</u>	<u>4,517</u>
Total operating expenses	<u>46,688</u>	<u>41,540</u>
Operating profit (loss)	<u>(3,280)</u>	<u>1,133</u>
Finance income	1,126	1,549
Finance expenses	<u>(1,928)</u>	<u>(1,652)</u>
Profit / (loss) before tax	(4,082)	1,030
Income tax	<u>(885)</u>	<u>(836)</u>
Profit / (loss) for the year	<u>(4,967)</u>	<u>194</u>
<u>Attributable to:</u>		
Owners of the Company	<u>(3,720)</u>	<u>1,699</u>
Non-controlling interests	<u>(1,247)</u>	<u>(1,505)</u>
Income / (loss) for the period	<u>(4,967)</u>	<u>194</u>
Earnings / (loss) per share (in cents) basic	<u>(0.92)</u>	<u>0.42</u>
Earnings / (loss) per share (in cents) diluted	<u>(0.92)</u>	<u>0.42</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2 0 1 1	2 0 1 0
	US\$ in thousands	
Profit / (loss) for the year	(4,967)	194
Exchange differences on translating foreign operations	<u>(1,621)</u>	<u>(4,911)</u>
Total Comprehensive loss of the Year	<u>(6,588)</u>	<u>(4,717)</u>
<u>Attributable to:</u>		
Owners of the Company	(6,287)	(4,312)
Non-controlling interests	<u>(301)</u>	<u>(405)</u>
	<u>(6,588)</u>	<u>(4,717)</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December	
	2 0 1 1	2 0 1 0
	US\$ in thousands	
Non-current assets		
Goodwill	11,616	11,300
Other intangible assets	14,539	19,798
Property, plant and equipment	25,153	25,943
Deferred tax asset	5,525	5,122
	<u>56,833</u>	<u>62,163</u>
Current assets		
Inventories	24,297	19,470
Financial assets	23,883	38,079
Trade and other receivables	27,529	30,900
Cash and cash equivalents	23,012	22,087
	<u>98,721</u>	<u>110,536</u>
Total assets	<u>155,554</u>	<u>172,699</u>
Current liabilities		
Short-term bank credit	6,770	6,135
Trade and other payables	27,441	27,900
Provisions	2,507	3,190
	<u>36,718</u>	<u>37,225</u>
Net current assets	<u>62,003</u>	<u>73,311</u>
Non-current liabilities		
Long-term payables	7,557	11,840
Retirement benefit obligation	1,001	884
	<u>8,558</u>	<u>12,724</u>
Total liabilities	<u>45,276</u>	<u>49,949</u>
Net assets	<u>110,278</u>	<u>122,750</u>
Equity		
Share capital	1,215	1,215
Share premium account	406,892	406,504
Foreign currency translation reserve and other reserves	(13,073)	(8,798)
Accumulated Deficit	(286,088)	(277,236)
Equity attributable to equity holders of the:		
Owners of the Company	108,946	121,685
Non-controlling interest	1,332	1,065
Total equity	<u>110,278</u>	<u>122,750</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended on 31 December 2011

	Share Capital	Share Premium Account	Translation reserve	Other reserve	Accumulated Deficit	Attributable to owners of the parent	Non- Controlling Interests	Total equity
US\$ in thousands								
As at 1 January 2011	1,215	406,504	(10,026)	1,228	(277,236)	121,685	1,065	122,750
Exercise of share based options by employees	-	62				62	-	62
Recognition of share-based payments		326				326	-	326
Purchase of non- controlling interest			(889)	(819)		(1,708)	568	(1,140)
Dividend					(5,132)	(5,132)	-	(5,132)
Comprehensive loss for the year	-	-	(2,567)	-	(3,720)	(6,287)	(301)	(6,588)
As at 31 December 2011	<u>1,215</u>	<u>406,892</u>	<u>(13,482)</u>	<u>409</u>	<u>(286,088)</u>	<u>108,946</u>	<u>1,332</u>	<u>110,278</u>

BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (cont.)

Year ended on 31 December 2010

	Share Capital	Share Premium Account	Translation reserve	Other reserve	Accumulated Deficit	Attributable to owners of the parent	Non-Controlling Interests	Total equity
US\$ in thousands								
As at 1 January 2010	1,214	405,961	(4,015)	786	(270,808)	133,138	1,912	135,050
Exercise of share based options by employees	1	117				118	-	118
Recognition of share-based payments		426				426	-	426
Purchase of non- controlling interest				442		442	(442)	-
Dividend					(8,127)	(8,127)	-	(8,127)
Comprehensive loss for the year	-	-	(6,011)	-	1,699	(4,312)	(405)	(4,717)
As at 31 December 2010	<u>1,215</u>	<u>406,504</u>	<u>(10,026)</u>	<u>1,228</u>	<u>(277,236)</u>	<u>121,685</u>	<u>1,065</u>	<u>122,750</u>

**BATM ADVANCED COMMUNICATIONS LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year ended 31 December	
	2 0 1 1	2 0 1 0
	US\$ in thousands	
Net cash from operating activities (Appendix A)	3,138	12,481
Investing activities		
Interest received	887	612
Proceeds on forward transactions	-	1,154
Proceeds on disposal of held to maturity investments	-	4,316
Proceeds on disposal of property, plant and equipment	134	-
Proceeds on disposal of financial assets carried at fair value through profit and loss	6,515	13,108
Proceeds on disposal of deposits	46,150	38,427
Purchases of property, plant and equipment	(1,672)	(6,392)
Purchases of forward transaction	-	(1,099)
Purchases of financial assets carried at fair value through profit and loss	-	(20,221)
Purchases of deposits	(41,647)	(39,727)
Net Cash outflow on acquisition of business combinations	<u>(3,418)</u>	<u>(171)</u>
Net cash from (used in) investing activities	6,949	(9,993)
Financing activities		
Dividends paid to owners of the Company	(5,132)	(8,127)
Tax on dividend	(694)	(637)
Increase (decrease) in short-term bank credit	366	(1,761)
Bank loan received	-	1,500
Bank loan repayment	(2,717)	(1,032)
Purchase of non-controlling interest	(767)	-
Proceeds on issue of shares	<u>62</u>	<u>118</u>
Net cash used in financing activities	(8,882)	(9,939)
Increase (decrease) in cash and cash equivalents	1,205	(7,451)
Cash and cash equivalents at the beginning of the Year	22,087	28,095
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(280)</u>	<u>1,443</u>
Cash and cash equivalents at the end of the Year	<u>23,012</u>	<u>22,087</u>

BATM ADVANCED COMMUNICATIONS LTD.
APPENDICES TO CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A

**RECONCILIATION OF OPERATING PROFIT (LOSS) FOR THE YEAR TO NET CASH
FROM OPERATING ACTIVITIES**

	<u>Year ended 31 December</u>	
	2 0 1 1	2 0 1 0
	US\$ in thousands	
Operating profit (loss) from - operations	(3,280)	1,133
Adjustments for:		
Amortization of intangible assets	3,743	3,738
Write off of intangible assets and goodwill	2,972	-
Depreciation of property, plant and equipment	2,055	2,482
Stock options granted to employees	326	426
Increase in retirement benefit obligation	117	41
Decrease in provisions	<u>(312)</u>	<u>(898)</u>
Operating cash flow before movements in working capital	5,621	6,922
Decrease (Increase) in Inventory	(4,337)	1,959
Decrease (Increase) in receivables	3,720	(480)
Increase (decrease) in payables	<u>(723)</u>	<u>4,466</u>
Cash generated by operations	4,281	12,867
Income taxes paid	(626)	(338)
Income taxes received	-	378
Interest paid	<u>(517)</u>	<u>(426)</u>
Net cash from operating activities	<u>3,138</u>	<u>12,481</u>

BATM ADVANCED COMMUNICATIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - General

The preliminary results for the year ended 31 December 2011 and the comparative 2010 information will be presented in the full Annual report in accordance with International Financial Reporting Standards ("IFRS").

Note 2 - Profit (loss) per share

Profit (loss) per share is based on the weighted average number of shares in issue for the year of 402,872,861 (2010: 402,494,652). The number used for the calculation of the diluted profit per share for the year (which includes the effect of dilutive stock option plans) is - .402,872,861 shares (2010: 403,222,832)

Note 3 - Significant events during the reporting period

On January 23, 2011 the company signed an agreement with the minority shareholders in part of the medical division to purchase their holding of 25%. The consideration is as follows: Cash of \$1.159 million and a small percentage of the future receipts from the medical division, estimated at \$364,000 as of 31 December, 2011.

In April, 2011, the Company acquired the trade and assets of an Israeli telecom software services provider called Man s Ltd ("Man s") for consideration of \$0.8 million.

In April, 2011, the Company acquired the major assets and intellectual property of ANDA Networks, Inc. ("ANDA") for consideration of \$2.0 million.

As at the date of this preliminary results statement, the Purchase Price Allocation ("PPA") of ANDA and Man s had not been completed. Accordingly, the allocation used for these financial statements represents management's best estimates.

BATM ADVANCED COMMUNICATIONS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 - Segments

Business Segment

<u>Year ended 31 December 2011</u>			
	Telecommunications	Medical	Total
	US\$ in thousands		
Revenues	81,320	46,314	127,634
Operating profit (loss)(*)	6,857	(3,422)	3,435

<u>Year ended 31 December 2010</u>			
	Telecommunications	Medical	Total
	US\$ in thousands		
Revenues	79,877	40,701	120,578
Operating profit (loss)(*)	7,834	(2,184)	5,650

(*) Excluding other operating expenses

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