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DATA I/O CORP
Form 8-K
November 01, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 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): October 28, 2005

Data I/O Corporation
(Exact name of registrant as specified in its charter)

Washington
(State of other jurisdiction of incorporation)

0-10394
(Commission File Number)

91-0864123
(IRS Employer Identification No.)

10525 Willows Road N.E., Redmond, WA 98052
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (425) 881-6444

Not Applicable (Former name or former address, if changed since last report)

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Item 2.02 Results of Operation and Financial Condition

A copy of a press release made on October 28, 2005 follows:

Data I/O Corporation

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10525 Willows Road N.E.
Redmond, WA 98052

For information please contact:

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Data I/O Corporation
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DATA I/O ANNOUNCES THIRD QUARTER 2005 FINANCIAL RESULTS

Redmond, Wash., Oct. 28, 2005 - Data I/O Corporation (NASDAQ: DAIO), the leading provider of manual and automated device programming systems, today announced financial results for the third quarter ended Sept. 30, 2005.

Revenues were \$6.6 million, the same as in the second quarter of 2005. However, stronger demand for the company's products resulted in increased unshipped orders, raising backlog by \$1.2 million to a total of \$2 million going into the fourth quarter. Gross margins in the third quarter of 2005 were 57.0 percent, compared with 59.2 percent in the prior quarter.

In accordance with U.S. generally accepted accounting principles (GAAP), net income in the third quarter of 2005 was \$127,000 or \$0.02 per share, compared with net income of \$53,000, or \$0.01 per share, in the second quarter of 2005. The company remains debt-free.

"During the third quarter, our strategy to increase our engagement with the semiconductor manufacturers produced results. A large semiconductor manufacturer purchased an initial automated programming system for factory programming in its Asian facility. We continue to strengthen our three-way relationships with semiconductor manufacturers and global customers," said Fred Hume, president and CEO.

"In September, at an important industry show, we introduced the ImageWriter-300, a programming solution designed specifically for integration with in-circuit-test equipment. The ImageWriter-300 is a new configuration in our ImageWriter(TM) line of In-System Programming solutions. This solution expands the ImageWriter line's available market.

"We continued to make progress with our automotive-related accounts during the third quarter. A large automotive electronics manufacturer made an initial purchase of a Data I/O PS system. The automotive electronics manufacturers are becoming increasingly important to us as a segment for automated and ISP solutions," said Hume.

Fourth Quarter 2005 Guidance

Data I/O currently expects that revenues in the fourth quarter of 2005 will increase significantly over third quarter revenues.

Conference Call Information

A conference call discussing the third quarter 2005 financial results will follow this release today at 8:00 a.m. Pacific time/11:00 a.m. Eastern time. To listen to the call, please dial (773) 756-4619, passcode: Data I/O. A taped replay will be made available approximately one hour after the conclusion of the call and will remain available for one week. To access the replay, dial (402)220-9103. The conference call will also be simultaneously webcast over the Internet; visit the Investor Relations section of the Data I/O Corporation website at <http://www.dataio.com> to access the call from the site. This webcast will be recorded and available for replay on the Data I/O Corporation website

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approximately two hours after the conclusion of the conference call.

About Data I/O Corporation

Celebrating more than 30 years of innovative leadership in the device programming industry, Data I/O Corporation (NASDAQ: DAIO), provides manual and automated device programming systems that specifically address the requirements of engineering and manufacturing customers. FlashCORE(TM), Sprint and UniSite families provide a wide range of device support and versatility to address a user's many different programming needs. Data I/O Corporation has headquarters in Redmond, WA, with sales and services offices worldwide. For further information, visit the company's website at <http://www.dataio.com>.

Forward Looking Statement

Statements in this news release concerning future revenues, future margins, future results from operations, financial position, economic conditions, product releases and any other statement that may be construed as a prediction of future performance or events are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from those expressed or implied by such statements. These factors include uncertainties as to levels of orders, ability to record revenues based upon the timing of product deliveries and installations, market acceptance of new products, changes in economic conditions and market demand, pricing and other activities by competitors, and other risks including those described from time to time in the Company's filings on Forms 10K and 10Q with the Securities and Exchange Commission (SEC), press releases and other communications.

- Summary Financial Data Attached -

DATA I/O CORPORATION COMPARATIVE STATEMENTS OF EARNINGS (in thousands except per share data)

| | Third Quarter | | | 9/3 |
|-------------------------------------|---------------|-----------|-------------------|-----|
| | 9/30/2005 | 9/30/2004 | Percent Change | |
| Net sales | \$6,587 | \$7,765 | -15.2% | |
| Gross margin | 3,756 | 4,232 | -11.2% | |
| Gross margin as percent of sales | 57.0% | 54.5% | | |
| Operating expenses: | | | | |
| Research & development | 1,218 | 1,262 | -3.5% | |
| Selling, general and administrative | 2,411 | 2,405 | 0.2% | |
| Provision for business restructure | 17 | 432 | | |
| Operating income (loss) | 110 | 133 | | |
| Non-operating income (expense): | | | | |
| Interest, net | 33 | (12) | | |
| Foreign currency exchange | (21) | (26) | | |

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| | | |
|---|--------|--------|
| Income/(loss) from operations before taxes | 122 | 95 |
| Income tax expense (benefit) | (5) | 2 |
| Net income/(loss) | 127 | 93 |
| Diluted earnings/(loss) per share | \$0.02 | \$0.01 |
| Diluted weighted average shares outstanding | 8,468 | 8,386 |

CONDENSED BALANCE SHEET
(in thousands)

| | 9/30/2005 |
|--|-----------|
| Cash and cash equivalents | \$2,632 |
| Short-term investments | 1,200 |
| Accounts receivable, net | 6,588 |
| Inventories | 3,852 |
| Other current assets | 291 |
| Land, building and equipment | 2,321 |
| Other long-term assets | 18 |
| Total assets | \$16,902 |
| Current liabilities | \$4,638 |
| Deferred gain on sale of property | 485 |
| Shareholders' equity | 11,779 |
| Total liabilities and shareholders' equity | \$16,902 |

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 hereunto duly authorized.

Data I/O Corporation

November 1, 2005

By /s/Joel S. Hatlen
Joel S. Hatlen
Vice President - Finance
Chief Financial Officer
Secretary and Treasurer