

XYRATEX LTD
Form 6-K
February 17, 2009

UNITED STATES
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

February 17, 2009

Commission File Number:0001284823

XYRATEX LTD

(Translation of registrant's name into English)

Langstone Road,

Havant

PO9 1SA

United Kingdom

(Address of principal executive offices)

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

Form 20-F Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

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

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

FOR IMMEDIATE RELEASE

Xyratex Ltd Announces Final Results for the Fourth Quarter and Fiscal Year 2008

Havant, UK, February 17, 2009 Xyratex Ltd (Nasdaq: XRTX), a leading provider of enterprise class data storage subsystems and storage process technology, today announced final results for the fourth quarter and fiscal year ended November 30, 2008. These results represent an update to the preliminary results announced on January 6, 2009.

The only change from the results announced on January 6 is related to the specific provision representing inventory and future vendor claims. This provision was associated with a specific Networked Storage Solutions customer product forecast which indicated a transition to an updated version sooner than originally planned, giving rise to an exposure on long lead time components. Within its preliminary results the Company provided what it believed would be its maximum probable exposure of \$9.5 million.

Following a thorough assessment of the exposure and mitigation opportunities, it has been concluded that the total provision required is \$2 million and hence the Company has been able to write back \$7.5 million of the preliminary provision.

The updated and final results for Xyratex Ltd for the fourth quarter and fiscal year ended November 30, 2008 are summarized below:

- Revenues for the fourth quarter were \$285.4 million, an increase of 15.1% compared to revenues of \$248 million for the same period last year. Revenues for the full year were \$1,049.7 million, an increase of 12.7%, compared to revenues of \$931.6 million for fiscal year 2007.
- Fourth quarter GAAP net loss was \$55.7 million, or \$1.92 per diluted share compared to GAAP net income of \$11.7 million in the same period last year.
- A GAAP net loss for fiscal year 2008 of \$47.9 million, or \$1.64 per diluted share compared to a GAAP net income of \$28.1 million for fiscal year 2007.
- Fourth quarter non-GAAP net income of \$0.4 million, or \$0.02 per diluted share compared to non-GAAP net income of \$13.1 million in the same quarter a year ago.
- A non-GAAP net income for fiscal year 2008 of \$16.2 million, or a diluted earnings per share of \$0.56 compared to non-GAAP net income of \$37.5 million, or \$1.26 per diluted share, for fiscal year 2007(1).
- Gross profit margin in the fourth quarter of 12.5%, compared to 18.5% in the same period last year and 17.6% in the prior quarter.

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These results will be reflected in the Company's Annual Report on Form 20-F to be issued shortly.

(1) Non-GAAP net income (loss) and diluted earnings (loss) per share excludes (a) amortization of intangible assets, (b) equity compensation expense, (c) specified non-recurring or non-cash items, such as the impairment of goodwill and the valuation allowance against a deferred tax asset, and (d) the related tax effects. Reconciliation of non-GAAP net income and diluted earnings per share to GAAP net income and GAAP diluted earnings per share is included in a table immediately following the condensed consolidated statements of cash flow below.

The intention in providing these non-GAAP measures is to provide supplemental information regarding the Company's operational performance whilst recognizing that they have material limitations and that they should only be referred to with reference to the corresponding GAAP measure.

The Company believes that the provision of these non-GAAP financial measures is useful to investors and investment analysts because it enables comparison to the Company's historical operating results, those of competitors and other industry participants and also provides transparency to the measures used by management in operational and financial decision making. In relation to the specific items excluded: (a) intangible assets represent costs incurred by the acquired business prior to acquisition, are not cash costs and will not be replaced when the assets are fully amortized and therefore the exclusion of these costs provides management and investors with better visibility of the costs required to generate revenue over time; (b) equity compensation expense is non-cash in nature, is outside the control of management during the period in which the expense is incurred and in addition has not been measured consistently as a result of the implementation of FAS 123R; (c) the impairment of goodwill and the valuation allowance against the deferred tax asset is non-recurring, non-cash and is not comparable across periods or with other companies; (d) the exclusion of the related tax effects of excluding items (a) to (c) is necessary to show the effect on net income of the change in tax expense that would have been recorded if these items had not been incurred.

Safe Harbor Statement

This press release contains forward looking statements. These statements relate to future events or our future financial performance. These statements are only predictions 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. Factors that might cause such a difference include our inability to compete successfully in the competitive and rapidly changing marketplace in which we operate, failure to retain key employees, changes in our customers volume requirements, cancellation or delay of projects and adverse general economic conditions in the United States and internationally. 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. 000-50799). In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipates, believes, estimates, continue, or the negative of these 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 enterprise class data storage subsystems and storage process technology. The company designs and manufactures enabling technology that provides OEM and disk drive manufacturers 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 an MBO from IBM, and with 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.

For more information, visit www.xyratex.com.

Contacts:

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XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended, | | Year Ended | |
|--|---------------------|--------------|--------------|--------------|
| | November 30, | November 30, | November 30, | November 30, |
| | 2008 | 2007 | 2008 | 2007 |

(US dollars in thousands, except per share amounts)

| | | | | | | | | |
|---|----|----------|----|---------|----|-----------|----|---------|
| Revenues: | | | | | | | | |
| Networked Storage Solutions | \$ | 222,300 | \$ | 187,216 | \$ | 855,770 | \$ | 693,990 |
| Storage Infrastructure | | 63,127 | | 60,772 | | 193,946 | | 237,643 |
| Total revenues | | 285,427 | | 247,988 | | 1,049,716 | | 931,633 |
| Cost of revenues | | | | | | | | |
| | | 249,827 | | 202,133 | | 891,139 | | 762,582 |
| Gross profit: | | | | | | | | |
| Networked Storage Solutions | | 18,643 | | 28,165 | | 107,275 | | 100,573 |
| Storage Infrastructure | | 17,234 | | 18,046 | | 52,566 | | 69,716 |
| Equity compensation | | (277) | | (356) | | (1,264) | | (1,238) |
| Total gross profit | | 35,600 | | 45,855 | | 158,577 | | 169,051 |
| Operating expenses: | | | | | | | | |
| Research and development | | 22,726 | | 19,370 | | 85,897 | | 77,559 |
| Selling, general and administrative | | 15,984 | | 16,532 | | 63,686 | | 61,977 |
| Amortization of intangible assets | | 1,223 | | 2,485 | | 4,882 | | 7,304 |
| Impairment of goodwill | | 34,256 | | | | 34,256 | | |
| Total operating expenses | | 74,189 | | 38,387 | | 188,721 | | 146,840 |
| Operating income (loss) | | (38,589) | | 7,468 | | (30,144) | | 22,211 |
| Other income | | | | | | | | |
| | | | | | | | | 890 |
| Interest income, net | | 166 | | 1,030 | | 1,618 | | 3,283 |
| Income (loss) before income taxes | | (38,423) | | 8,498 | | (28,526) | | 26,384 |
| Provision (benefit) for income taxes | | 17,324 | | (3,229) | | 19,383 | | (1,725) |
| Net income (loss) | \$ | (55,747) | \$ | 11,727 | \$ | (47,909) | \$ | 28,109 |
| Net earnings (loss) per share: | | | | | | | | |
| Basic | \$ | (1.92) | \$ | 0.40 | \$ | (1.64) | \$ | 0.97 |
| Diluted | \$ | (1.92) | \$ | 0.39 | \$ | (1.64) | \$ | 0.94 |
| Weighted average common shares (in thousands), used in computing net earnings (loss) per share: | | | | | | | | |
| Basic | | 29,096 | | 29,100 | | 29,157 | | 28,985 |
| Diluted | | 29,096 | | 29,758 | | 29,157 | | 29,866 |

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

| | November 30, 2008 | November 30, 2007 |
|--|--|----------------------|
| | (US dollars and amounts in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 28,013 | \$ 70,678 |
| Accounts receivable, net | 140,879 | 122,327 |
| Inventories | 128,183 | 91,662 |
| Prepaid expenses | 2,746 | 2,994 |
| Deferred income taxes | 1,000 | 3,000 |
| Other current assets | 4,430 | 8,275 |
| Total current assets | 305,251 | 298,936 |
| Property, plant and equipment, net | 47,229 | 37,421 |
| Intangible assets, net | 11,162 | 54,175 |
| Deferred income taxes | 9,545 | 19,743 |
| Total assets | \$ 373,187 | \$ 410,275 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 111,295 | \$ 96,046 |
| Employee compensation and benefits payable | 9,745 | 13,280 |
| Deferred revenue | 8,386 | 15,212 |
| Income taxes payable | 2,573 | 1,165 |
| Other accrued liabilities | 27,599 | 11,311 |
| Total current liabilities | 159,598 | 137,014 |
| Long-term debt | | |
| Total liabilities | 159,598 | 137,014 |
| Shareholders equity | | |
| Common shares of Xyratex Ltd (in thousands), par value \$0.01 per share 70,000 authorized, 29,146 and 29,117 issued and outstanding | 291 | 291 |
| Additional paid-in capital | 366,067 | 356,268 |
| Accumulated other comprehensive income | (13,603) | 1,847 |
| Accumulated deficit | (139,166) | (85,145) |
| Total shareholders equity | 213,589 | 273,261 |
| Total liabilities and shareholders equity | \$ 373,187 | \$ 410,275 |

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended | |
|--|---------------------------|----------------------|
| | November 30, 2008 | November 30, 2007 |
| | (US dollars in thousands) | |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ (47,909) | \$ 28,109 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 15,770 | 13,683 |
| Amortization of intangible assets | 4,882 | 7,304 |
| Impairment of intangible assets | 34,256 | |
| Non-cash equity compensation | 7,646 | 8,057 |
| Loss on sale of assets | 185 | 341 |
| Changes in assets and liabilities, net of impact of acquisitions and divestitures | | |
| Accounts receivable | (18,552) | (17,003) |
| Inventories | (36,521) | 1,449 |
| Prepaid expenses and other current assets | 1,455 | (2,956) |
| Accounts payable | 15,249 | 11,150 |
| Employee compensation and benefits payable | (3,535) | (3,365) |
| Deferred revenue | (6,826) | (1,091) |
| Income taxes payable | 1,408 | (476) |
| Deferred income taxes | 16,944 | (1,616) |
| Other accrued liabilities | 2,718 | (2,266) |
| Net cash provided by (used in) operating activities | (12,830) | 41,320 |
| Cash flows from investing activities: | | |
| Investments in property, plant and equipment | (25,763) | (16,974) |
| Acquisition of intangible assets | | (4,833) |
| Acquisition of business, net of cash received | | (1,661) |
| Net cash used in investing activities | (25,763) | (23,468) |
| Cash flows from financing activities: | | |
| Payments of short-term borrowings | | (7,000) |
| Repurchases of common shares | (6,116) | |
| Proceeds from issuance of shares | 2,044 | 2,905 |
| Net cash used in financing activities | (4,072) | (4,095) |
| Change in cash and cash equivalents | (42,665) | 13,757 |
| Cash and cash equivalents at beginning of period | 70,678 | 56,921 |
| Cash and cash equivalents at end of period | \$ 28,013 | \$ 70,678 |

XYRATEX LTD

SUPPLEMENTAL INFORMATION

| | Three Months Ended | | Year Ended | |
|--|----------------------|----------------------|----------------------|----------------------|
| | November 30, 2008 | November 30, 2007 | November 30, 2008 | November 30, 2007 |

(US dollars in thousands, except per share amounts) (US dollars in thousands, except per share amounts)

Summary Reconciliation Of GAAP Net Income To Non-GAAP Net Income

| | | | | |
|--|-------------|-----------|-------------|-----------|
| GAAP net income (loss) | \$ (55,747) | \$ 11,727 | \$ (47,909) | \$ 28,109 |
| Amortization of intangible assets | 1,223 | 2,485 | 4,882 | 7,304 |
| Impairment of goodwill | 34,256 | | 34,256 | |
| Equity compensation | 1,755 | 2,237 | 7,646 | 8,057 |
| Other income | | | | (890) |
| Tax effect of impairment of goodwill | (9,592) | | (9,592) | |
| Tax effect of other non-GAAP adjustments | (1,024) | (1,602) | (3,791) | (4,050) |
| Valuation allowance against UK deferred tax asset | 29,466 | | 29,466 | |
| Effect on deferred tax of changes to UK tax rates and exchange rates | 110 | (1,743) | 1,254 | (1,040) |
| Non-GAAP net income | \$ 447 | \$ 13,104 | \$ 16,212 | \$ 37,490 |

Summary Reconciliation Of Diluted GAAP Earnings Per Share To Diluted Non-GAAP Earnings Per Share

| | | | | |
|--|-----------|---------|-----------|---------|
| Diluted GAAP earnings (loss) per share | \$ (1.92) | \$ 0.39 | \$ (1.64) | \$ 0.94 |
| Amortization of intangible assets | 0.04 | 0.08 | 0.17 | 0.24 |
| Impairment of goodwill | 1.18 | | 1.17 | |
| Equity compensation | 0.06 | 0.08 | 0.26 | 0.27 |
| Other income | | | | (0.03) |
| Tax effect of impairment of goodwill | (0.33) | | (0.33) | |
| Tax effect of other non-GAAP adjustments | (0.03) | (0.05) | (0.13) | (0.14) |
| Valuation allowance against UK deferred tax asset | 1.01 | | 1.01 | |
| Effect on deferred tax of changes to UK tax rates and exchange rates | | (0.06) | 0.04 | (0.03) |
| Diluted non-GAAP earnings per share | \$ 0.02 | \$ 0.44 | \$ 0.56 | \$ 1.26 |

Summary Of Equity Compensation

| | | | | |
|-------------------------------------|-------|-------|-------|-------|
| Cost of revenues | 277 | 356 | 1,264 | 1,238 |
| Research and development | 567 | 711 | 2,469 | 2,477 |
| Selling, general and administrative | 911 | 1,170 | 3,913 | 4,342 |
| Total equity compensation | 1,755 | 2,237 | 7,646 | 8,057 |

SIGNATURES

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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)

Date: February 17, 2009

By:

/s/ Richard Pearce
Name: Richard Pearce
Title: Chief Financial Officer