

RADISYS CORP
Form 8-K
February 03, 2015

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): January 28, 2015

RADISYS CORPORATION

(Exact name of registrant as specified in its charter)

Oregon	0-26844	93-0945232
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5435 NE Dawson Creek Drive	
Hillsboro, Oregon	97124
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 615-1100

No Change
(Former Name or Former Address, if Changed Since Last Report)

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:

- 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))

Item 2.02 Results of Operations and Financial Condition.

The information in this Item 2.02 and the Exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or any proxy statement or report or other document we may file with the Securities Exchange Commission (“SEC”), regardless of any general incorporation language in any such filing, except as shall be expressly set forth by specific reference in such filing.

On February 3, 2015, the Radisys Corporation (the "Company") issued a press release announcing its results for the fiscal quarter ended December 31, 2014. A copy of this press release is attached hereto as Exhibit 99.1.

This press release contains forward-looking statements, including statements about the Company's business strategy, changes in reporting segments financial outlook and expectations for the first quarter and fiscal year of 2015 and statements related to investment in future growth, expense savings or reductions, operational and administrative efficiencies, revenue growth, margin improvement, financial performance and other attributes of the Company. These forward-looking statements are based on the Company's expectations and assumptions, as of the date such statements are made, regarding the Company's future operating performance and financial condition, the economy and other future events or circumstances. Actual results could differ materially from the outlook guidance and expectations in these forward-looking statements as a result of a number of risk factors, including, among others, (a) the Company's dependence on certain customers and high degree of customer concentration, (b) the Company's use of a single contract manufacturer for a significant portion of the production of our products, including the success of transitioning contract manufacturing partners, (c) the anticipated amount and timing of revenues from design wins due to the Company's customers' product development time, cancellations or delays, (d) matters affecting the embedded systems industry, including changes in industry standards, changes in customer requirements and new product introductions, (e) fluctuations in currency exchange rates, changes in tariff and trade policies and other risks associated with foreign operations, (f) actions by regulatory agencies and other third parties, (g) the ability of the Company to successfully complete any restructuring, acquisition or divestiture activities, (h) cash generation and (i) other factors listed in the Company's reports filed with the Securities and Exchange Commission (SEC), including those listed under “Risk Factors” in Radisys' Annual Report on Form 10-K for the year ended December 31, 2013, copies of which may be obtained by contacting the Company at 503-615-1100, from the Company's investor relations web site at <http://investor.radisys.com/>, or at the SEC's website at <http://www.sec.gov>. Although forward-looking statements help provide additional information about Radisys, investors should keep in mind that forward-looking statements are inherently less reliable than historical information. Should one or more of these risks or uncertainties materialize (or the other consequences of such a development worsen), or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. The Company believes its expectations and assumptions are reasonable, but there can be no assurance that the expectations reflected herein will be achieved. All information in this press release is as of February 3, 2015. The Company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the Company's expectations.

To supplement its consolidated financial statements in accordance with generally accepted accounting principles (GAAP), the Company's earnings release contains non-GAAP financial measures that exclude certain expenses, gains and losses, such as the effects of (a) amortization of acquired intangible assets, (b) stock-based compensation expense, (c) restructuring and other charges (reversals), net, (d) non-cash income tax expense, and (e) gain on life insurance asset. The Company believes that the use of non-GAAP financial measures provides useful information to investors to gain an overall understanding of its current financial performance and its prospects for the future. Specifically, the Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses, gains and losses that the Company believes are not indicative of its core operating results. In addition, non-GAAP financial measures are used by management for budgeting and forecasting as well as subsequently measuring the Company's performance, and the Company believes that it is providing investors with

financial measures that most closely align to its internal measurement processes. These non-GAAP measures are considered to be reflective of the Company's core operating results as they more closely reflect the essential revenue-generating activities of the Company and direct operating expenses (resulting in cash expenditures) needed to perform these revenue-generating activities. The Company also believes, based on feedback provided to the Company during its earnings calls' Q&A sessions and discussions with the investment community, that the non-GAAP financial measures it provides are necessary to allow the investment community to construct their valuation models to better align its results and projections with its competitors and market sector, as there is significant variability and unpredictability across companies with respect to certain expenses, gains and losses.

The non-GAAP financial information is presented using a consistent methodology from quarter-to-quarter and year-to-year. These measures should be considered in addition to results prepared in accordance with GAAP. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. The Company believes that

non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP financial measures.

A reconciliation of non-GAAP information to GAAP information is included in the tables below. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for or superior to financial measures calculated in accordance with GAAP, and reconciliations between GAAP and non-GAAP financial measures included in this earnings release should be carefully evaluated. The non-GAAP financial measures used by the Company may be calculated differently from, and therefore may not be comparable to, similarly titled measures used by other companies.

Item 2.05 Costs associated with exit or disposal activity

On January 28, 2015, the Company's Board of Directors approved a reorganization of the Company into two operating segments - 'Software-Systems' and 'Embedded Products and Hardware Services'. Inside the newly named Software-Systems segment will be the following product lines: FlowEngine, MediaEngine (previously referred to as Media Resource Function or MRF) and CellEngine (previously referred to as Trillium) products and professional services. The revenue in these three product lines is expected to grow and the majority of the Company's future R&D investment will be targeted at this segment.

The Embedded Products and Hardware Services segment will contain the following product lines: ATCA, ComE/RMS and Other Products. The Company will be focusing its future Embedded Products and Hardware Services investments to specific product needs of the Software-Systems business as well as to those key strategic and profitable customers that value the capabilities and services Radisys provides.

In connection with these changes, the Company will restructure its research and development and sales and general administrative presence primarily within Asia and North America. The Company expects to record 2015 restructuring charges in the range of approximately \$4.5 million to \$5.5 million, substantially all of which will be for cash severance payments and other employee-related costs. The reductions are expected to result in approximately \$15 million in annualized savings and will be completed by September 30, 2015.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 28, 2015, the Company announced that Mr. Keate Despain, a named executive officer of the Company, will be stepping down from his position as Vice President of Platforms and departing the Company on February 6, 2015. Upon his departure, and subject to certain conditions, Mr. Despain will receive an amount of severance and other benefits as provided for in his transition agreement dated January 28, 2015, filed as Exhibit 10.1 hereto and his severance agreement dated October 10, 2012, filed as Exhibit 10.2 hereto.

Item 9.01 Financial Statements and Exhibit.

(d) Exhibit

Exhibit Number	Description
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- 10.1 Transition Agreement dated January 28, 2015 between the Company and Keate Despain.
 - 10.2 Amended and Restated Executive Severance Agreement, dated October 10, 2012, between the Company and Keate Despain.
 - 99.1 Fourth Quarter 2014 Earnings Release, dated February 3, 2015
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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 thereunto duly authorized.

Date: February 3, 2015

RADISYS CORPORATION

By: /s/ Allen Muhich

Allen Muhich

Chief Financial Officer and Vice President of Finance (Principal
Financial and Accounting Officer)

EXHIBIT INDEX

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99.1	Press Release, dated February 3, 2015.