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DATA I/O CORP
Form 8-K
April 28, 2006

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): April 26, 2006

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
(Address of principal executive offices)

98052
(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 April 26, 2006 follows:

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Data I/O Corporation
10525 Willows Road N.E.
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Tel: (425) 881-6444
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For information please contact:

Joel Hatlen
VP, Finance and Chief Financial Officer
Data I/O Corporation
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Stapleton Communications Inc.
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DATA I/O ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS

Redmond, Wash., April 26, 2006 - Data I/O Corporation (NASDAQ: DAIO), the leading provider of manual and automated device programming systems, today announced financial results for the first quarter ended March 31, 2006.

Revenues for the first quarter of 2006 were \$6.4 million, compared with \$8.4 million in the fourth quarter of 2005 and down from the \$6.7 million recorded in the first quarter of 2005. Order bookings were \$7.1 million, compared with \$7.6 million in the fourth quarter of 2005 and up from \$6.0 million in the first quarter of 2005. Backlog increased by \$0.7 million to \$1.9 million at the end of the first quarter. Gross margins in the first quarter of 2006 were 53.2 percent, compared with 52.5 percent in the prior quarter.

In accordance with U.S. generally accepted accounting principles (GAAP), net loss in the first quarter of 2006 was \$512,000 or (\$0.06) per share, compared with net income of \$363,000, or \$0.04 per share, in the fourth quarter of 2005 and a net income of \$39,000 in the first quarter of 2005. The net loss per share in the first quarter of 2006 includes \$0.01 that resulted from the impact of expensing options under FAS 123(R). The company remains debt-free and has cash and investments of \$4.1 million.

"We were disappointed by the revenue shortfall in the first quarter of 2006, which was due to delays in closing customer prospective orders, resulting in a loss for the quarter," said Fred Hume, president and CEO. "The good news in this circumstance is that we did not lose any of these prospective orders to competition and we were pleased to see our orders increase to the highest levels reported for a first quarter since the industry downturn of 2000/2001. We also saw the momentum that built in 2005 continue with significant improvements in our major customer segments, except for the wireless industry where the normal seasonal pattern of a weak first quarter persists.

"We are excited to announce that new product development activity remained at a high level with the completion of what we consider to be the most significant product introduction from Data I/O in many years. This new automated programming solution will be announced in press releases on May 3rd," said Hume.

Conference Call Information

A conference call discussing the first quarter 2006 financial results will follow this release today at 2:00 p.m. Pacific time/5:00 p.m. Eastern time. To listen to the conference call, please dial (773) 681-5826, passcode: DAIO. 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, please dial (203) 369-3090. 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.

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This webcast will be recorded and available for replay on the Data I/O Corporation website 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, margins, 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. The accuracy and completeness of forward-looking statements should not be unduly relied upon. Data I/O is under no duty to update any of these forward-looking statements.

- Summary Financial Data Attached -

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

| | First Quarter | | |
|-------------------------------------|---------------|-----------|-------------------|
| | 3/31/2006 | 3/31/2005 | Percent Change |
| Net sales | \$6,413 | \$6,737 | -4.8% |
| Gross margin | 3,410 | 4,014 | -15.0% |
| Gross margin as percent of sales | 53.2% | 59.6% | -6.4% |
| Operating expenses: | | | |
| Research & development | 1,306 | 1,337 | -2.3% |
| Selling, general and administrative | 2,639 | 2,631 | 0.3% |
| Operating income (loss) | (535) | 46 | |
| Non-operating income (expense): | | | |

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| | | |
|--|----------|--------|
| Interest, net | 43 | 20 |
| Gain on sale | 6 | 0 |
| Foreign currency exchange | 3 | (21) |
| | ----- | ----- |
| Income (loss) from operations before taxes | (483) | 45 |
| Income tax expense (benefit) | 29 | 6 |
| | ----- | ----- |
| Net income (loss) | (\$512) | \$39 |
| | ===== | ===== |
| | | |
| Total diluted earnings (loss) per share | (\$0.06) | \$0.00 |
| | | |
| Diluted weighted average shares outstanding | 8,386 | 8,550 |

CONDENSED BALANCE SHEET
(in thousands)

| | 3/31/2006 | 12/31/2005 |
|--|-----------|------------|
| | ----- | ----- |
| Cash and cash equivalents | \$3,282 | \$4,362 |
| Short-term investments | 800 | 800 |
| Accounts receivable, net | 6,531 | 6,828 |
| Inventories | 3,993 | 3,529 |
| Other current assets | 376 | 329 |
| Land, building and equipment | 2,280 | 2,274 |
| Other long-term assets | 84 | 15 |
| | ----- | ----- |
| Total assets | \$17,346 | \$18,137 |
| | ===== | ===== |
| | | |
| Current liabilities | \$5,237 | \$5,854 |
| Shareholders' equity | 12,109 | 12,283 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$17,346 | \$18,137 |
| | ===== | ===== |

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

April 28, 2006

By /s/Frederick R. Hume
Frederick R. Hume
President
Chief Executive Officer

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