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ION NETWORKS INC
Form 8-K
November 14, 2002

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): November 12, 2002

ION NETWORKS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	000-13117	22-2413505
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1551 South Washington Avenue Piscataway, New Jersey	08854
(Address of Principal Executive Offices)	(Zip Code)

(Registrant's telephone number, including area code): (732) 529-0100

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

On November 12, 2002, ION Networks, Inc. (the "Company"), issued a press release announcing its results for the quarter ended September 30, 2002.

A copy of the press release, which is incorporated by reference herein and made a part hereof, is filed with this Current Report on Form 8-K as Exhibit 99.1.

Item 7. Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

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(c) Exhibits.

Exhibit No. -----	Description -----
99.1	Press Release of the Company dated November 12, 2002, announcing its results for the quarter ended September 30, 2002.

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.

Date: November 14, 2002

ION NETWORKS, INC.

/s/ Ted Kaminer

By: _____
Ted Kaminer
Vice President and Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press Release of the Company dated November 12, 2002.

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ION NETWORKS' REVENUE INCREASES 59 PERCENT FROM PREVIOUS QUARTER

COMPANY'S GROSS MARGIN CONTINUES TO EXPAND AND SG&A DECLINES

Piscataway, NJ. --(BUSINESS WIRE)--November 12, 2002--ION Networks, Inc. (Nasdaq: IONN), a leading provider of infrastructure security solutions that protect critical information and infrastructure from internal and external security threats, today reported its financial results for the three-month period ended September 30, 2002. The Company reported net sales of \$1.5 million, an increase of \$562,000 or 59 percent over the previous quarter and an increase of \$434,000 or 40 percent over the same period of the previous year. The increase in revenue during the quarter ended September 30, 2002 occurred while gross margin improved to 63.4% and selling, general and administrative expenses were reduced by \$522,000 or 24%. As a result, the net loss for the quarter fell to \$1.4 million or \$0.06 per share from \$2.1 million or \$0.09 per share in the prior quarter and \$2.3 million or \$0.13 per share in the three month period ended September 30, 2001.

	Three months Ended			Six Months Ended	
	9/30/02	9/30/01	6/30/02	9/30/02	9/30/01
Net sales	\$1,522	\$1,088	\$960	\$2,482	\$3,022
Gross margin percentage	63.4%	47.4%	62.9%	63.2%	52.7%
Net loss	\$ (1,357)	\$ (2,348)	\$ (2,052)	\$ (3,409)	\$ (4,340)
Net loss per share	\$ (0.06)	\$ (0.13)	\$ (0.09)	\$ (0.15)	\$ (0.24)
Basic and diluted shares	22,608	18,203	22,601	22,604	18,203

In 000s except per share amounts

Kam Saifi, ION Network's president and CEO, commented, "ION's new business model based on its leading infrastructure security solutions has solidified, and we have made positive progress with respect to our goal of reaching profitability. Our management team has successfully refocused the company's sales and marketing effort to fortify existing client relationships and aggressively cultivate new vertical markets, while implementing cost management measures to align our expenses relative to the market. In the early stages of our marketing campaign, ION's quarter-to-quarter revenue growth exceeded 50% while gross margin improved and operating expenses declined. These successes are highly encouraging, especially considering that the general U.S. economic recovery has yet to gain any measurable level of momentum. Growing interest in infrastructure security, as evidenced by the enthusiastic receptions we receive from existing and potential clients, is providing improved visibility going forward."

ION's cost containment efforts resulted in a reduction of \$522,000 or 24 percent in selling, general and administrative costs from the previous quarter. In addition to 'right-sizing' the Company's cost structure, management initiated a program to establish alternate sales channels, which is designed to replace fixed personnel costs with costs tied directly to the level of revenue. It also allows for an efficient expansion of sales distribution into new verticals.

The Company's refocused marketing effort on software and hardware products has also enabled it to expand its gross margin over the last six months. ION's

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gross margin averaged 63 percent over the last two quarters, which compares to 53 percent for the comparable period of the prior year. ION management intends to further evolve its solutions in an effort to continue to lower costs and address the needs of the enterprise market.

Mr. Saifi concluded, "With our operational costs tightly managed and our sales network coordinated for increased market penetration, we are optimistic about ION's future. Concerns regarding the vulnerability of critical corporate data and its exposure to infrastructure security breaches are building. While, economic conditions continue to impact the length of the sales cycle, demand for effective solutions, such as ION's, is burgeoning and is gaining priority attention. As the economic recovery progresses, our sales cycle should improve and support our growth."

CONFERENCE CALL

ION Networks will host a conference call at 5 p.m. (EST) today, Tuesday, November 12, to discuss the Company's financial results for the quarter. The conference call can be accessed by dialing 800-834-5978 and providing the following reservation number: 21004454. It is recommended that participants call at least 10 minutes before the call is scheduled to begin. The conference call can also be accessed on the Internet through www.ion-networks.com.

Participants wishing to use the Internet to participate in the conference call should allow sufficient time to register, download and install any necessary audio software prior to the commencement time.

A replay of the conference call in its entirety will be available approximately one hour after its completion through ION's website. Directions for accessing the replay will be displayed in the Investor section of the website.

ABOUT ION NETWORKS

ION Networks, Inc. is a leading provider of infrastructure security and management solutions. The ION Secure suite helps customers protect critical infrastructure and maximize operational efficiency while lowering operational costs. ION Networks' customers include AT&T, Bank of America, British Telecom, Citigroup, Entergy, Fortis Bank, Oracle, Qwest, SBC, Sprint and the U.S. Government. Headquartered in Piscataway, New Jersey, the Company has installed tens of thousands of its products worldwide. More information can be obtained from www.ion-networks.com.

ION Networks(TM) and ION Secure(TM) are trademarks of ION Networks, Incorporated. All other trademarks and registered trademarks in this document are the properties of their respective owners.

Any statements contained in this press release that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements concerning our plans for reaching profitability, fortifying existing client relationships, cultivating new markets, expanding sales distribution, reducing our expenses, refocusing our marketing effort, increasing market penetration, improving sales cycle and growth, as well as growing interest in infrastructure security. Any forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties. The factors that could cause actual future results to differ materially from the forward-looking statements include the following: fluctuations in customer demand; changes in

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the Company's sales force; fluctuations in spending on technology generally and security solutions in particular; sufficiency of operating capital; general economic conditions (both domestic and abroad); the rapid technological change which characterizes the Company's markets, the risks associated with competition; the risks associated with the expansion of the Company's distribution channels; the risk of new product introductions and customer acceptance of new products; the risks associated with international sales as the Company expands its markets; and the ability of the Company to compete successfully in the future, as well as other risks identified in the Company's Securities and Exchange Commission Filings, including but not limited to those appearing within the Company's most recent Form 10-KSB and amendments thereto and our quarterly report on Form 10-QSB for the quarterly period ended June 30, 2002, as amended, filed with the Securities and Exchange Commission on August 21, 2002.

****Financial Tables Follow****

ION NETWORKS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2002	2001	2002	2001
Net sales	\$ 1,522,336	\$ 1,088,380	\$ 2,482,468	\$ 3,021,822
Cost of sales	557,564	572,576	914,068	1,430,176
Gross margin	964,772	515,804	1,568,400	1,591,646
Research and development expenses	280,893	158,622	516,202	508,497
Selling, general and administration	1,614,473	2,250,262	3,751,441	4,535,285
Restructuring charges	154,370	0	154,370	0
Depreciation and amortization	281,596	472,688	563,567	943,964
Total operating expenses	2,331,332	2,881,572	4,985,580	5,987,746
Loss from operations	(1,366,560)	(2,365,768)	(3,417,180)	(4,396,100)
Interest income	15,663	26,250	25,197	73,782

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Interest expense	(6,255)	(8,508)	(11,502)	(17,624)
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Loss before income tax expense	(1,357,152)	(2,348,026)	(3,403,485)	(4,339,942)
Income tax expense	0	0	5,301	0
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Net loss	\$ (1,357,152)	\$ (2,348,026)	\$ (3,408,786)	\$ (4,339,942)
	=====	=====	=====	=====
PER SHARE DATA				
Net loss per share				
Basic and diluted	\$ (0.06)	\$ (0.13)	\$ (0.15)	\$ (0.24)
Weighted average number of common shares outstanding				
Basic and diluted	22,608,273	18,203,301	22,604,408	18,203,301

ION NETWORKS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2002	March 31, 2002
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,723,599	\$4,050,657
Accounts receivable, net of allowance for doubtful accounts of \$202,626 and \$149,999 respectively	929,468	1,521,230
Inventory, net	1,321,126	1,024,126
Prepaid expenses and other current assets	232,629	492,609
Related party notes receivable	83,657	83,657
Total current assets	4,290,479	7,172,279
	-----	-----
Restricted cash	125,700	125,700
Property and equipment at cost, net of accumulated depreciation of \$2,965,949 and \$2,684,152, respectively	597,751	796,625
Capitalized software, less accumulated amortization of \$3,755,028 and \$3,412,040, respectively	858,950	908,464
Other assets	71,442	6,653
	-----	-----
Total assets	\$5,944,322	\$9,009,721
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital leases	\$ 74,426	\$ 74,426
Current portion of long-term debt	12,148	33,444
Accounts Payable	1,076,810	917,846
Accrued expenses	345,595	373,766
Accrued payroll and related liabilities	293,874	353,590
Deferred income	176,292	115,927

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Sales tax payable	118,829	188,435
Other current liabilities	102,909	73,923
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Total current liabilities	2,200,883	2,131,357
Long-term portion of capital leases	106,754	146,540
Long-term debt, net of current portion	-	4,597
Total stockholders' equity	3,636,685	6,727,227
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Total liabilities and stockholders' equity	\$5,944,322	\$9,009,721
	=====	=====