
**UNITED STATES
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 22, 2004

PINNACLE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction
of incorporation)

000-24784
(Commission File Number)

94-3003809
(I.R.S. Employer
Identification No.)

280 North Bernardo Avenue, Mountain View, California
(Address of principal executive offices)

94043
(Zip Code)

Registrant's telephone number, including area code (650) 526-1600

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

ITEM 5. OTHER EVENTS

On April 22, 2004, Pinnacle Systems, Inc. ("Pinnacle") is announcing its financial results for the third quarter of fiscal 2004 ended March 31, 2004. These financial results are attached hereto as Exhibit 99.1. The information in this Item 5 shall be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") and shall be deemed incorporated by reference in filings under the Securities Act of 1933 or the Exchange Act.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Financial Results for the Quarter ended March 31, 2004
99.2	Press Release of Pinnacle Systems, Inc. dated April 22, 2004

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On April 22, 2004, Pinnacle is also issuing a press release and holding a conference call regarding its financial results for the third quarter of fiscal 2004 ended March 31, 2004. A copy of the press release is furnished as Exhibit 99.2 to this Form 8-K. Pinnacle is making reference to non-GAAP financial information in both the press release and the conference call.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 22, 2004

PINNACLE SYSTEMS, INC.

By: /s/ Arthur D. Chadwick

Arthur D. Chadwick
Vice President of Finance, Chief Financial Officer and
Secretary

INDEX TO EXHIBITS

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PINNACLE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	March 31, 2004	June 30, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,043	\$ 62,617
Marketable securities	17,209	18,804
Accounts receivable, net	46,374	55,958
Inventories	43,823	36,775
Prepaid expenses and other current assets	9,996	9,197
	<u>179,445</u>	<u>183,351</u>
Total current assets	179,445	183,351
Restricted cash	16,850	16,890
Property and equipment, net	17,008	15,351
Goodwill	83,588	60,632
Other intangible assets, net	19,319	29,341
Other assets	7,511	5,311
	<u>\$ 323,721</u>	<u>\$ 310,876</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,623	\$ 17,146
Accrued and other liabilities	65,822	53,025
Deferred revenue	14,121	6,564
	<u>99,566</u>	<u>76,735</u>
Total current liabilities	99,566	76,735
Deferred income taxes	3,881	7,826
Long-term liabilities	669	158
	<u>104,116</u>	<u>84,719</u>
Total liabilities	104,116	84,719
Shareholders' equity:		
Common stock	372,419	337,593
Accumulated deficit	(158,420)	(115,294)
Accumulated other comprehensive income	5,606	3,858
	<u>219,605</u>	<u>226,157</u>
Total shareholders' equity	219,605	226,157
	<u>\$ 323,721</u>	<u>\$ 310,876</u>

PINNACLE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	GAAP	
	Three Months Ended March 31,	
	2004	2003
Net sales	\$93,739	\$88,666
Costs and expenses:		
Cost of sales	46,862	40,845
Engineering and product development	11,065	9,722
Sales, marketing, and service	28,407	24,679
General and administrative	5,944	4,787
Amortization of other intangible assets	1,508	4,331
In-process research and development	—	470
Restructuring costs	320	—
Legal judgment	—	3,861
	94,106	88,695
Total costs and expenses		
Operating income (loss)	(367)	(29)
Interest and other income, net	923	211
	556	182
Income before income taxes		
Income tax expense	847	808
	\$ (291)	\$ (626)
Net income (loss)		
Net income (loss) per share:		
Basic	\$ (0.00)	\$ (0.01)
Diluted	\$ (0.00)	\$ (0.01)
Shares used to compute net income (loss) per share:		
Basic	68,108	62,453
Diluted	68,108	62,453

Press Release

Pinnacle Systems, Inc.



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**PINNACLE SYSTEMS REPORTS RESULTS FOR THE
THIRD QUARTER OF FISCAL YEAR 2004**

MOUNTAIN VIEW, Calif., April 22nd, 2004—Pinnacle Systems®, Inc. (NASDAQ: PCLE) today announced financial results for the third quarter of fiscal 2004, which ended March 31, 2004. Net sales for the third quarter of fiscal 2004 were \$93,739,000, a 6% increase over net sales of \$88,666,000 in the third quarter of fiscal 2003.

The GAAP net loss for the third quarter of fiscal 2004 was \$291,000 or \$0.00 per share. The pro forma non-GAAP net income for the third quarter of fiscal 2004 was \$1,281,000 or \$0.02 per share. This pro forma non-GAAP net income excludes \$1,508,000 in amortization of acquisition-related intangible assets, \$320,000 in restructuring costs, and a \$256,000 difference between GAAP and non-GAAP income tax expense. The reconciliation of the GAAP to non-GAAP measurements for net income and earnings per share for the third quarter of fiscal 2004 is set forth below with Pinnacle Systems' financial statements.

Patti S. Hart, Pinnacle Systems' Chairman of the Board and Chief Executive Officer, commented, "We were very pleased with results for the quarter: we had positive pro forma net income which was favorable to our guidance. Net sales were an all time quarterly record for the company with a sequential increase in sales in both divisions. We took a number of actions during the first three quarters of this fiscal year to improve margins and operational efficiency, and we believe those actions are beginning to pay off. Results for the quarter showed continued top line and bottom line improvement over quarterly results earlier this fiscal year. Sales in our business and consumer division were \$58.9 million, an all time quarterly division record. This quarter we introduced Studio 9, the latest upgrade to our flagship consumer product family, and experienced strong sales of Studio 9 and Studio 9 upgrades. Sales in our broadcast and professional division were \$34.8 million, a 13% sequential increase over the second quarter of this fiscal year. In addition, we had an excellent reception this week at the National Association of Broadcasters convention of our newly introduced PracticalHD, Pinnacle Liquid Editing for Workgroups, and on-air graphic products."

Pinnacle Systems will host an audio web-cast at 2:00 p.m. (Pacific Time) on April 22, 2004, which can be heard live at www.pinnaclesys.com. Additionally, a replay of the conference call will be available at www.pinnaclesys.com for two weeks following the call. Thereafter, a transcript of the conference call will be available under the "Investor Relations" section of our website at http://www.pinnaclesys.com/aboutus/investorrelation.asp?Langue_ID=7.

Use of Non-GAAP Financial Measures

To supplement its consolidated financial statements presented in accordance with GAAP, Pinnacle Systems uses non-GAAP measures of pro forma net income and pro forma earnings per share, which are adjusted from its GAAP results to exclude certain expenses. These non-GAAP adjustments are provided to enhance the user's overall understanding of the Company's current financial performance and its prospects for the future. The Company believes the non-GAAP results provide useful information to both management and investors by excluding certain expenses that it believes are not indicative of its core operating results. The non-GAAP measures are included to provide investors and management with an alternative method for assessing Pinnacle Systems' operating results in a manner that is focused on the performance of Pinnacle Systems' ongoing operations and to provide a more consistent basis for comparison between quarters. Further, these non-GAAP results are one of the primary indicators management uses for planning and forecasting in future periods. In addition, since the Company has historically reported non-GAAP results to the investment community, it believes the inclusion of non-GAAP numbers provides consistency in its financial reporting. The presentation of this additional information should not be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.

About Pinnacle Systems, Inc.

Pinnacle Systems provides broadcasters and consumers with cutting-edge digital media creation, storage, and play-back solutions for use at Home, in the Studio and on the Air. Pinnacle Systems' award winning digital media solutions are in use around the world for broadcast, video and audio editing, DVD and CDR authoring and on the Internet. A recognized industry leader, the Company has received nine prestigious Emmy Awards for its technical innovations and carries this commitment throughout all of its product lines. Pinnacle Systems may be reached at (650) 526-1600 or at www.pinnaclesys.com.

Safe Harbor Statement

This press release contains forward-looking statements that involve risks and uncertainties within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding the impact of recent actions with respect to improvement in margins and operational efficiency. Forward-looking statements contained in this news release relating to expectations about future events or results are based upon information available to the Company as of the date hereof. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks,

uncertainties and assumptions that are difficult to predict. As a result, Pinnacle Systems' actual results may differ materially and adversely from those expressed in the forward-looking statements. Factors that may cause such a difference include, but are not limited to, risks related to cost reduction, restructuring and organizational changes made during the fiscal year and the impact those actions will have on future results. Factors that could affect Pinnacle Systems' business and financial results are detailed in the Company's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, its Annual Report on Form 10-K for the fiscal year ended June 30, 2003 and Form 10-Q for the quarters ended September 30, 2003 and December 31, 2003, including, but not limited to, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are on file with the Securities and Exchange Commission (the "SEC") and available at the SEC's website at www.sec.gov. All information set forth in this release and its attachments is made as of April 22, 2004, and Pinnacle Systems undertakes no obligation to revise or update publicly this information for any reason.

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PINNACLE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	GAAP		NON-GAAP	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2004	2003	2004	2003
Net sales	\$93,739	\$88,666	\$93,739	\$88,666
Costs and expenses:				
Cost of sales	46,862	40,845	46,862	40,845
Engineering and product development	11,065	9,722	11,065	9,722
Sales, marketing, and service	28,407	24,679	28,407	24,679
General and administrative	5,944	4,787	5,944	4,787
Amortization of other intangible assets	1,508	4,331	—	—
In-process research and development	—	470	—	—
Restructuring costs	320	—	—	—
Legal judgment	—	3,861	—	—
Total costs and expenses	94,106	88,695	92,278	80,033
Operating income (loss)	(367)	(29)	1,461	8,633
Interest and other income, net	923	211	923	211
Income before income taxes	556	182	2,384	8,844
Income tax expense	847	808	1,103	1,769
Net income (loss)	\$ (291)	\$ (626)	\$ 1,281	\$ 7,075
Net income (loss) per share:				
Basic	\$ (0.00)	\$ (0.01)		
Diluted	\$ (0.00)	\$ (0.01)	\$ 0.02	\$ 0.11
Shares used to compute net income (loss) per share:				
Basic	68,108	62,453	—	—
Diluted	68,108	62,453	69,895	66,068

PINNACLE SYSTEMS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP TO GAAP
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2004	2003
Non-GAAP net income	\$ 1,281	\$ 7,075
Amortization of other intangible assets	(1,508)	(4,331)
In-process research and development	—	(470)
Restructuring costs	(320)	—
Legal judgment	—	(3,861)
Income tax effect	256	961
GAAP net loss	\$ (291)	\$ (626)

PINNACLE SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
GAAP AND NON-GAAP—BY DIVISION
(Unaudited, in thousands)

	Three Months Ended March 31, 2004		
	Broadcast and Professional	Business and Consumer	Total
Net sales	\$ 34,830	\$ 58,909	\$93,739
Costs and expenses:			
Cost of sales	15,016	31,846	46,862
Engineering and product development	5,995	5,070	11,065
Sales, marketing, and service	12,218	16,189	28,407
General and administrative	2,401	3,543	5,944
Amortization of other intangible assets	434	1,074	1,508
Restructuring costs	160	160	320
	36,224	57,882	94,106
GAAP operating income (loss)	(1,394)	1,027	(367)
Amortization of other intangible assets	434	1,074	1,508
Restructuring costs	160	160	320
	(800)	2,261	1,461
Non-GAAP operating income (loss)	\$ (800)	\$ 2,261	\$ 1,461

	Three Months Ended March 31, 2003		
	Broadcast and Professional	Business and Consumer	Total
Net sales	\$ 35,602	\$ 53,064	\$88,666
Costs and expenses:			
Cost of sales	14,721	26,124	40,845
Engineering and product development	5,694	4,028	9,722
Sales, marketing, and service	10,175	14,504	24,679
General and administrative	2,272	2,515	4,787
Amortization of other intangible assets	2,373	1,958	4,331
In-process research and development	—	470	470
Legal judgment	3,861	—	3,861
	39,096	49,599	88,695
GAAP operating income (loss)	(3,494)	3,465	(29)
Amortization of other intangible assets	2,373	1,958	4,331
In-process research and development	—	470	470
Legal judgment	3,861	—	3,861
	2,740	5,893	8,633
Non-GAAP operating income	\$ 2,740	\$ 5,893	\$ 8,633

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CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

	<u>March 31,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
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Restricted cash	16,850	16,890
Property and equipment, net	17,008	15,351
Goodwill	83,588	60,632
Other intangible assets, net	19,319	29,341
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