

EPICOR SOFTWARE CORP
Form 10-Q
November 09, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-20740

EPICOR SOFTWARE CORPORATION

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

33-0277592
(IRS Employer
Identification No.)

18200 Von Karman Avenue

Suite 1000

Irvine, California 92612

(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (949) 585-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 29, 2004, there were 51,090,224 shares of common stock outstanding.

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EPICOR SOFTWARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(Unaudited)

	September 30, 2004	December 31, 2003
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,631	\$ 38,881
Restricted cash	563	501
Accounts receivable, net	36,274	27,134
Prepaid expenses and other current assets	6,057	5,268
	<u> </u>	<u> </u>
Total current assets	89,525	71,784
Property and equipment, net	6,306	3,040
Intangible assets, net	44,753	12,847
Goodwill	83,938	10,841
Other assets	4,002	3,711
	<u> </u>	<u> </u>
Total assets	<u>\$ 228,524</u>	<u>\$ 102,223</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 9,235	\$ 5,958
Accrued expenses	38,970	26,038
Current portion of accrued restructuring costs	3,394	2,117
Deferred revenue	52,415	37,345
	<u> </u>	<u> </u>
Total current liabilities	104,014	71,458
	<u> </u>	<u> </u>
Long-term portion of accrued restructuring costs	3,140	1,355
Long-term debt	30,014	
	<u> </u>	<u> </u>
Total long-term liabilities	33,154	1,355

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Commitments and contingencies		
Stockholders' equity:		
Preferred stock	10,423	10,423
Common stock	51	46
Additional paid-in capital	300,076	252,088
Less: treasury stock at cost	(3,043)	(322)
Less: unamortized stock compensation expense	(3,033)	(5,002)
Accumulated other comprehensive (loss) income	(402)	266
Accumulated deficit	(212,716)	(228,089)
Net stockholders' equity	91,356	29,410
Total liabilities and stockholders' equity	\$ 228,524	\$ 102,223

See accompanying notes to condensed consolidated financial statements.

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EPICOR SOFTWARE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE

OPERATIONS

*(in thousands, except per share amounts)**(Unaudited)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues:				
License fees	\$ 15,295	\$ 9,352	\$ 37,990	\$ 26,674
Consulting	15,814	10,637	40,838	27,752
Maintenance	30,104	19,797	73,171	55,358
Other	967	550	2,161	1,575
Total revenues	62,180	40,336	154,160	111,359
Cost of revenues:				
Amortization of intangible assets and capitalized software development costs	2,655	1,986	4,655	5,215
Total cost of revenues	24,766	17,335	61,360	47,435
Gross profit	37,414	23,001	92,800	63,924
Operating expenses:				
Sales and marketing	12,495	10,080	32,171	27,048
Software development	7,262	5,459	18,080	14,919
General and administrative	10,551	4,737	22,931	13,935
Provision for doubtful accounts	115	48	613	(841)
Stock based compensation expense	654	1,125	1,964	2,216
Restructuring charges and other		(292)	1,901	937
Settlement of claim			(284)	
Total operating expenses	31,077	21,157	77,376	58,214
Income from operations	6,337	1,844	15,424	5,710
Other income, net	288	112	704	245
Income before income taxes	6,625	1,956	16,128	5,955
Provision for income taxes	334	118	755	208
Net income	\$ 6,291	\$ 1,838	\$ 15,373	\$ 5,747
Value of beneficial conversion related to preferred stock				(241)
Net income applicable to common stockholders	\$ 6,291	\$ 1,838	\$ 15,373	\$ 5,506

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Other comprehensive income:				
Net income	\$ 6,291	\$ 1,838	\$ 15,373	\$ 5,506
Unrealized foreign currency translation adjustments	(64)	241	(666)	1,367
Other comprehensive income	\$ 6,227	\$ 2,079	\$ 14,707	\$ 6,873
Net income per share applicable to common stockholders:				
Basic	\$ 0.12	\$ 0.04	\$ 0.31	\$ 0.12
Diluted	\$ 0.11	\$ 0.04	\$ 0.29	\$ 0.11
Weighted average common shares outstanding:				
Basic	52,892	46,796	49,856	46,069
Diluted	56,227	50,748	53,574	48,936

See accompanying notes to condensed consolidated financial statements.

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EPICOR SOFTWARE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
Operating activities		
Net income	\$ 15,373	\$ 5,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,906	7,034
Stock-based compensation expense	1,964	2,216
Provision for doubtful accounts	613	(841)
Interest accrued on notes receivable from officers		(44)
Restructuring charges and other	1,901	937
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable		