MULTIMEDIA GAMES INC Form 10-Q August 09, 2005 Table of Contents

UNITED STATES

SECURITIES AN	D EXCHANO	GE COMMISSION
V	Vashington, D.C. 205	49
	Form 10-Q	
x Quarterly Report Pursuant to Section 1	3 or 15 (d) of the Sec	curities Exchange Act of 1934
For the quarterly period ended: June 30, 2005		
" Transition Report Pursuant to Section 1	13 or 15 (d) of the Se	curities Exchange Act of 1934
For the transition period from to		
Comm	nission File Number: 001	-14551
Multir	nedia Gam	es, Inc.
(Exact Name	e of Registrant as Specified i	n its Charter)
Texas (State or Other Jurisdiction		74-2611034 (IRS Employer
of Incorporation)		Identification Number)

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206 Wild Basin Road, Building B, Fourth Floor

Austin, Texas (Address of Principal Executive Offices) 78746 (Zip Code)

Registrant s telephone number, including area code: (512) 334-7500

Registrant s website: www.multimediagames.com

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 x No "

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange

Act): Yes x No "

As of August 3, 2005, there were 27,133,740 shares of the Registrant s common stock, par value \$0.01 per share, outstanding.

FORM 10-Q

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MULTIMEDIA GAMES, INC.

CONSOLIDATED BALANCE SHEETS

As of June 30, 2005 and September 30, 2004

(In thousands, except shares and per-share amounts)

(Unaudited)

Deferred contract costs 6,029 Prepaid expenses and other 1,944 2,242 Notes receivable, net 5,506 12,299 Federal and state income tax receivable 35 5,044 Deferred income taxes 1,899 1,909 Total current assets 32,771 37,589 Restricted cash and long-term investments 1,068 1,216 Leased gaming equipment, net 41,954 40,652 Property and equipment, net 90,706 93,090 Notes receivable noncurrent 29,287 20,588 Intangible assets, net 45,348 21,941 Other assets 3,317 2,331 Total assets \$244,451 \$217,407 LIABILITIES AND STOCKHOLDERS EQUITY CURRENT LIABILITIES: Current portion of long-term debt and capital leases \$14,335 \$9,713		June 30, 2005	Sep	2004
Cash and cash equivalents \$ 5,894 \$ 4,768 Accounts receivable, net of allowance for doubtful accounts of \$204 and \$533, respectively 10,652 10,397 Inventory 812 930 Deferred contract costs 6,029 1944 2,242 Notes receivable, net 5,506 12,299 12,299 Federal and state income tax receivable 35 5,044 Deferred income taxes 1,968 1,216 Restricted cash and long-term investments 1,068 1,216 Leased gaming equipment, net 41,954 40,652 Property and equipment, net 90,706 93,090 Notes receivable noncurrent 29,287 20,588 Intangible assets, net 45,348 21,941 Other assets \$244,451 \$217,407 LIABILITIES AND STOCKHOLDERS EQUITY CUrrent portion of long-term debt and capital leases \$14,335 \$9,713 Accounts payable and accrued expenses 26,929 25,780 Federal income tax payable 1,439 20,970 Long-term debt and capital leases, less curre	ASSETS			
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Inventory 812 930 Deferred contract costs 6.029 1.944 2.242 Notes receivable, net 5.506 12.299 Federal and state income tax receivable 35 5.044 Deferred income taxes 1.899 1.909 Total current assets 32,771 37,589 Restricted cash and long-term investments 1.068 1.216 Leased gaming equipment, net 41,954 40,652 Property and equipment, net 90,706 93,090 Notes receivable noncurrent 29,287 20,588 Intangible assets, net 45,348 21,941 Other assets 3,317 2,331 Total assets \$244,451 \$217,407 LIABILITIES \$244,451 \$217,407 CURRENT LIABILITIES \$24,451 \$217,407 CURRENT LIABILITIES \$24,451 \$217,407 Current portion of long-term debt and capital leases \$14,335 \$9,713 Accounts payable and accrued expenses 26,929 25,780	Cash and cash equivalents	\$ 5,894	\$	4,768
Deferred contract costs 6.029 Prepaid expenses and other 1.944 2.242 Notes receivable, net 5.506 12.299 Federal and state income tax receivable 35 5.044 Deferred income taxes 1.899 1.909 Total current assets 32,771 37,589 Restricted cash and long-term investments 1.068 1.216 Leased gaming equipment, net 90,706 93,090 Notes receivable noncurrent 29,287 20,588 Intangible assets, net 45,348 21,941 Other assets 3,317 2,331 Total assets \$244,451 \$217,407 LIABILITIES AND STOCKHOLDERS EQUITY CUrrent portion of long-term debt and capital leases \$14,335 \$9,713 Accounts payable and accrued expenses 26,929 25,780 Federal income tax payable 1,439 26,929 25,780 Federal revenue 2,276 1,847 Total current liabilities 3,030 3,932 Deferred revenue noncurren	Accounts receivable, net of allowance for doubtful accounts of \$204 and \$533, respectively	10,652		10,397
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CURRENT LIABILITIES: \$ 14,335 \$ 9,713 Accounts payable and accrued expenses 26,929 25,780 Federal income tax payable 1,439 Deferred revenue 2,276 1,847 Total current liabilities 44,979 37,340 Revolving line of credit 20,970 Long-term debt and capital leases, less current portion 9,253 10,753 Other long-term liabilities 3,030 3,932 Deferred revenue noncurrent 1,128 2,050 Deferred income taxes 7,816 13,185 Total liabilities 87,176 67,260			_	
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<u> </u>	Deferred income taxes	7,816	_	13,185
<u> </u>	Total liabilities	87,176		67,260
Commitments and contingencies			_	
	Commitments and contingencies			

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Stockholders equity:		
Preferred stock:		
Series A, \$0.01 par value, 1,800,000 shares authorized, no shares issued and outstanding		
Series B, \$0.01 par value, 200,000 shares authorized, no shares issued and outstanding		
Common stock, \$0.01 par value, 75,000,000 shares authorized, 30,780,329 and 30,453,245 shares issued, and		
27,154,690 and 27,917,597 shares outstanding, respectively	308	305
Additional paid-in capital	67,143	65,157
Treasury stock, 3,625,639 and 2,535,648 shares at cost	(22,028)	(12,382)
Retained earnings	111,852	97,067
Total stockholders equity	157,275	150,147
Total liabilities and stockholders equity	\$ 244,451	\$ 217,407

The accompanying notes are an integral part of the consolidated financial statements.

MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended June 30, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	2005	2004
Revenues:		
Gaming revenue:		
Class II	\$ 28,191	\$ 29,043
Charity	4,622	3,009
All other	2,814	3,323
Player terminal and license sale and lease revenue	957	805
Other	565	740
Total revenues	37,149	36,920
OPERATING COSTS AND EXPENSES:		
Cost of player terminals and licenses sold	787	666
Selling, general and administrative expenses	14,104	12,951
Amortization and depreciation	14,576	9,765
Total operating costs and expenses	29,467	23,382
Operating income	7,682	13,538
OTHER INCOME (EXPENSE):		
Interest income	608	178
Interest expense	(675)	(429)
Income before income taxes	7,615	13,287
Income tax expense	3,065	3,451
		+ 0000
Net income	\$ 4,550	\$ 9,836
Designation of the second	¢ 0.17	¢ 0.25
Basic earnings per share	\$ 0.17	\$ 0.35
Diluted earnings per share	\$ 0.16	\$ 0.32

The accompanying notes are an integral part of the consolidated financial statements.

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MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended June 30, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	2005	2004
Revenues:		
Gaming revenue:		
Class II	\$ 87,082	\$ 89,477
Charity	14,676	5,453
All other	10,235	7,269
Player terminal and license sale and lease revenue	2,762	7,193
Other	1,607	1,583
Total revenues	116,362	110,975
OPERATING COSTS AND EXPENSES:		
Cost of player terminals and licenses sold	2,588	4,240
Selling, general and administrative expenses	46,535	41,795
Amortization and depreciation	42,620	26,170
Total operating costs and expenses	91,743	72,205
Operating income	24,619	38,770
OTHER INCOME (EXPENSE):		
Interest income	1,390	906
Interest expense	(1,892)	(1,067)
Income before income taxes	24,117	38,609
Income tax expense	9,332	13,003
Net income	\$ 14,785	\$ 25,606
Basic earnings per share	\$ 0.53	\$ 0.94
Dasic Carmings per share	φ 0.33	ψ 0.94
Diluted earnings per share	\$ 0.50	\$ 0.83

The accompanying notes are an integral part of the consolidated financial statements.

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MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine Months Ended June 30, 2005 and 2004

Increase (Decrease) in Cash and Cash Equivalents

(In thousands)

(Unaudited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 14,785	\$ 25,606
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:		
Amortization	3,139	1,700
Depreciation	39,481	24,470
Accretion of contract rights	1,541	36
Write off of long-lived assets	217	
Provision for inventory and long-lived assets	35	
Deferred income taxes	(5,359)	2,968
Options issued to consultants	144	383
Recovery of doubtful accounts	(225)	(17)
(Increase) decrease in:		
Accounts receivable	(269)	(3,583)
Inventory	118	(1,793)
Deferred contract costs	(6,029)	
Prepaid expenses and other	(1,690)	(1,289)
Federal and state income tax payable/receivable	6,448	(1,179)
Notes receivable	5,798	728
Increase (decrease) in:		
Accounts payable and accrued expenses	1,138	5,632
Deferred revenue	(493)	220
Other long-term liabilities	(504)	977
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,275	54,859