

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended: **June 30, 2005**

.. Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 001-14551

Multimedia Games, Inc.

(Exact Name of Registrant as Specified in its Charter)

Texas
(State or Other Jurisdiction)

of Incorporation)

74-2611034
(IRS Employer

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

Table of Contents

FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	
	<u>Consolidated Balance Sheets</u>	
	<u>(As of June 30, 2005 and September 30, 2004)</u>	3
	<u>Consolidated Statements of Income</u>	
	<u>(For the three months ended June 30, 2005 and 2004)</u>	4
	<u>Consolidated Statements of Income</u>	
	<u>(For the nine months ended June 30, 2005 and 2004)</u>	5
	<u>Consolidated Statements of Cash Flows</u>	
	<u>(For the nine months ended June 30, 2005 and 2004)</u>	6
	<u>Notes to Consolidated Financial Statements</u>	8
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	39
Item 4.	<u>Controls and Procedures</u>	39

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	41
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
Item 6.	<u>Exhibits</u>	41

Table of Contents**MULTIMEDIA GAMES, INC.****CONSOLIDATED BALANCE SHEETS****As of June 30, 2005 and September 30, 2004**

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

(Unaudited)

	June 30, 2005	September 30, 2004
	<u> </u>	<u> </u>
ASSETS		
CURRENT ASSETS:		
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	
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
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
Total assets	\$ 244,451	\$ 217,407
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
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	
Deferred revenue	2,276	1,847
	<u> </u>	<u> </u>
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
	<u> </u>	<u> </u>
Total liabilities	87,176	67,260
	<u> </u>	<u> </u>
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
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Total liabilities and stockholders' equity	\$ 244,451	\$ 217,407
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The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended June 30, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	<u>2005</u>	<u>2004</u>
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
	<u>37,149</u>	<u>36,920</u>
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
	<u>29,467</u>	<u>23,382</u>
Operating income	7,682	13,538
OTHER INCOME (EXPENSE):		
Interest income	608	178
Interest expense	(675)	(429)
	<u>7,615</u>	<u>13,287</u>
Income before income taxes	7,615	13,287
Income tax expense	3,065	3,451
	<u>\$ 4,550</u>	<u>\$ 9,836</u>
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.

Table of Contents

MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF INCOME

For the Nine Months Ended June 30, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	<u>2005</u>	<u>2004</u>
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
	<u>116,362</u>	<u>110,975</u>
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
	<u>91,743</u>	<u>72,205</u>
Operating income	24,619	38,770
OTHER INCOME (EXPENSE):		
Interest income	1,390	906
Interest expense	(1,892)	(1,067)
	<u>24,117</u>	<u>38,609</u>
Income before income taxes	24,117	38,609
Income tax expense	9,332	13,003
	<u>14,785</u>	<u>25,606</u>
Net income	\$ 14,785	\$ 25,606
	<u>0.53</u>	<u>0.94</u>
Basic earnings per share	\$ 0.53	\$ 0.94
	<u>0.50</u>	<u>0.83</u>
Diluted earnings per share	\$ 0.50	\$ 0.83

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

Table of Contents**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)

	<u>2005</u>	<u>2004</u>
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
	<u>58,275</u>	<u>54,859</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,275	54,859