

EPICOR SOFTWARE CORP  
Form 8-K  
May 11, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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):

May 11, 2004 (May 10, 2004)

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**EPICOR SOFTWARE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

000-20740  
(Commission  
File Number)

33-0277592  
(I.R.S. Employer  
Identification No.)

18200 Van Karman Avenue

Irvine, California  
(Address of principal executive offices)

92612-1023  
(Zip Code)

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

(Former name or former address, if changed since last report.)

195 Technology Drive

Irvine, California 92618-2402

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**Item 5. Other Events and Regulation FD Disclosure.**

On May 10, 2004, Epicor Software Corporation filed a Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004 (the Form 10-Q ). This Current Report on Form 8-K is being filed to incorporate by reference the Form 10-Q into Epicor's Registration Statement on Form S-4 (Commission File No. 333- 114475) relating to Epicor's proposed offer to acquire all of the outstanding shares of Scala Business Solutions, N.V. Scala shareholders are encourage to read the Form 10-Q in connection with the prospectus contained in the Form S-4 and the other documents incorporated by reference into the Form S-4.

A copy of the Form 10-Q as filed with the SEC is set forth below.

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 March 31, 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

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**EPICOR SOFTWARE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

33-0277592  
(IRS Employer Identification No.)

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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

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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 April 26, 2004, there were 46,388,431 shares of common stock outstanding.

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**EPICOR SOFTWARE CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(in thousands)*

*(Unaudited)*

|  | <b>March 31,<br/>2004</b> | <b>December 31,<br/>2003</b> |
|--|---------------------------|------------------------------|
|  | <u>          </u>         | <u>          </u>            |
| <b>ASSETS</b>                                    |                           |                              |
| Current assets:                                  |                           |                              |
| Cash and cash equivalents                        | \$ 38,070                 | \$ 38,881                    |
| Restricted cash                                  | 502                       | 501                          |
| Accounts receivable, net                         | 26,949                    | 27,134                       |
| Prepaid expenses and other current assets        | 5,736                     | 5,268                        |
|  | <u>          </u>         | <u>          </u>            |
| Total current assets                             | 71,257                    | 71,784                       |
| Property and equipment, net                      | 3,616                     | 3,040                        |
| Intangible assets, net                           | 13,029                    | 12,847                       |
| Goodwill   | 11,234                    | 10,841                       |
| Other assets                                     | 3,785                     | 3,711                        |
|  | <u>          </u>         | <u>          </u>            |
| Total assets                                     | <b>\$ 102,921</b>         | <b>\$ 102,223</b>            |
|  | <u>          </u>         | <u>          </u>            |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>       |                           |                              |
| Current liabilities:                             |                           |                              |
| Accounts payable                                 | \$ 4,797                  | \$ 5,958                     |
| Accrued expenses                                 | 19,426                    | 26,038                       |
| Current portion of accrued restructuring costs   | 1,079                     | 2,117                        |
| Deferred revenue                                 | 40,920                    | 37,345                       |
|  | <u>          </u>         | <u>          </u>            |
| Total current liabilities                        | 66,222                    | 71,458                       |
|  | <u>          </u>         | <u>          </u>            |
| Long-term portion of accrued restructuring costs | 1,794                     | 1,355                        |
| Commitments and contingencies                    |                           |                              |
| Stockholders' equity:                            |                           |                              |

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|  |                   |                   |
|--|-------------------|-------------------|
| Preferred stock                              | 10,423            | 10,423            |
| Common stock                                 | 46                | 46                |
| Additional paid-in capital                   | 253,638           | 252,088           |
| Less: treasury stock at cost                 | (493)             | (322)             |
| Less: unamortized stock compensation expense | (4,344)           | (5,002)           |
| Accumulated other comprehensive income       | 206               | 266               |
| Accumulated deficit                          | (224,571)         | (228,089)         |
|  | <u>          </u> | <u>          </u> |
| Net stockholders' equity                     | 34,905            | 29,410            |
|  | <u>          </u> | <u>          </u> |
| Total liabilities and stockholders' equity   | \$ 102,921        | \$ 102,223        |
|  | <u>          </u> | <u>          </u> |

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)*

|  | <b>Three Months Ended<br/>March 31,</b> |             |
|--|---|-------------|
|  | <b>2004</b>                             | <b>2003</b> |
| Revenues:  |   |             |
| License fees   | \$ 10,448                               | \$ 7,805    |
| Consulting   | 11,952                                  | 8,379       |
| Maintenance  | 20,557                                  | 17,603      |
| Other  | 403                                     | 545         |
| Total revenues   | 43,360                                  | 34,332      |
| Cost of revenues   | 16,241                                  | 13,142      |
| Amortization of intangible assets and capitalized software development costs | 880                                     | 1,712       |
| Total cost of revenues   | 17,121                                  | 14,854      |
| Gross profit   | 26,239                                  | 19,478      |
| Operating expenses:  |   |             |
| Sales and marketing  | 9,780                                   | 8,159       |
| Software development   | 5,760                                   | 4,767       |
| General and administrative   | 5,174                                   | 4,674       |
| Provision for doubtful accounts  | 215                                     | (1,080)     |
| Stock-based compensation expense   | 655                                     | 276         |
| Restructuring charges and other  | 1,217                                   |             |
| Total operating expenses   | 22,801                                  | 16,796      |
| Income from operations   | 3,438                                   | 2,682       |
| Other income (expense), net  | 225                                     | (64)        |
| Income before income taxes   | 3,663                                   | 2,618       |
| Provision for income taxes   | 145                                     |             |
| Net income   | 3,518                                   | 2,618       |
| Value of beneficial conversion related to preferred stock                    |   | (241)       |
| Net income applicable to common stockholders                                 | \$ 3,518                                | \$ 2,377    |

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|   |          |          |
|---|----------|----------|
| Net income  | 3,518    | 2,618    |
| Unrealized foreign currency translation adjustments     | (60)     | 377      |
| Comprehensive income                                    | \$ 3,458 | \$ 2,995 |
| Net income per share applicable to common stockholders: |          |          |
| Basic   | \$ 0.07  | \$ 0.05  |
| Diluted   | \$ 0.07  | \$ 0.05  |
| Weighted average common shares outstanding:             |          |          |
| Basic   | 47,807   | 45,261   |
| Diluted   | 52,007   | 46,025   |

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****EPICOR SOFTWARE CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands)*

(Unaudited)

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2004</b>                             | <b>2003</b> |
| <b>Operating activities</b>   |   |             |
| Net income  | \$ 3,518                                | \$ 2,618    |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: |   |             |
| Depreciation and amortization   | 1,475                                   | 2,385       |
| Stock-based compensation expense  | 655                                     | 276         |
| Provision for doubtful accounts   | 215                                     | (1,080)     |
| Interest accrued on notes receivable from officers  |   | (44)        |
| Restructuring charges and other   | 1,217                                   |             |
| Changes in operating assets and liabilities, net of effects of acquisition:                 |   |             |
| Accounts receivable   | 1,281                                   | 2,915       |
| Prepaid expenses and other current assets   | (302)                                   | 412         |
| Other assets  | (34)                                    | 37          |
| Accounts payable  | (1,176)                                 | (764)       |
| Accrued expenses  | (8,206)                                 | (5,606)     |
| Accrued restructuring costs   | (1,794)                                 | (523)       |
| Deferred revenue  | 3,017                                   | (142)       |
| Net cash (used in) provided by operating activities   | (134)                                   | 484         |
| <b>Investing activities</b>   |   |             |
| Purchases of property and equipment   | (1,041)                                 | (186)       |
| Increase in restricted cash   | (1)                                     |             |
| Cash paid for acquisitions, net of cash acquired  | (956)                                   |             |
| Net cash used in investing activities   | (1,998)                                 | (186)       |
| <b>Financing activities</b>   |   |             |
| Proceeds from exercise of stock options   | 1,009                                   | 1           |
| Proceeds from employee stock purchase plan  | 544                                     | 236         |
| Net proceeds from issuance of restricted stock  |   | 1           |
| Purchase of treasury stock  | (172)                                   | (38)        |
| Issuance of preferred stock, net of transaction costs                                       |   | 5,322       |
| Collection of notes receivable from officers  |   | 3,580       |
| Principal payments on credit facility   |   | (840)       |
| Net cash provided by financing activities   | 1,381                                   | 8,262       |
| Effect of exchange rate changes on cash   | (60)                                    | 485         |
| Net (decrease) increase in cash and cash equivalents  | (811)                                   | 9,045       |
| Cash and cash equivalents at beginning of period  | 38,881                                  | 31,313      |

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|  |           |           |
|--|-----------|-----------|
| Cash and cash equivalents at end of period               | \$ 38,070 | \$ 40,358 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b> |           |           |
| Cash paid during the period for:                         |           |           |
| Interest   | \$        | \$ 43     |
| Income taxes   | \$ 31     | \$ 217    |

See Note 6 for details of assets acquired and liabilities assumed in purchase transactions.

See accompanying notes to condensed consolidated financial statements.

