

MULTIMEDIA GAMES INC
Form 10-Q
May 10, 2005
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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: March 31, 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)

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 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 May 4, 2005, there were 27,422,118 shares of the Registrant's common stock, par value \$0.01 per share, outstanding.

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MULTIMEDIA GAMES, INC.

CONSOLIDATED BALANCE SHEETS

As of March 31, 2005 and September 30, 2004

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

	March 31, 2005	September 30, 2004
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,259	\$ 4,768
Accounts receivable, net of allowance for doubtful accounts of \$706 and \$533, respectively	12,295	10,397
Inventory	731	930
Prepaid expenses and other	3,471	2,242
Notes receivable, net	6,957	12,299
Federal and state income tax receivable	580	5,044
Deferred income taxes	2,001	1,909
Total current assets	37,294	37,589
Restricted cash and long-term investments	1,137	1,216
Leased gaming equipment, net	47,150	40,652
Property and equipment, net	92,576	93,090
Notes receivable noncurrent	21,752	20,588
Intangible assets, net	38,135	21,941
Other assets	1,836	2,331
Total assets	\$ 239,880	\$ 217,407
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and capital leases	\$ 15,061	\$ 9,713
Accounts payable and accrued expenses	26,304	25,780
Federal income tax payable	4,202	
Deferred revenue	2,135	1,847
Total current liabilities	47,702	37,340
Revolving line of credit	7,600	
Long-term debt and capital leases, less current portion	11,462	10,753
Other long-term liabilities	3,305	3,932
Deferred revenue noncurrent	1,340	2,050
Deferred income taxes	10,900	13,185
Total liabilities	82,309	67,260
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		

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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, 30,585,428 and 30,453,245 shares issued, and 27,608,994 and 27,917,597 shares outstanding, respectively	306	305
Additional paid-in capital	66,225	65,157
Treasury stock, 2,976,434 and 2,535,648 shares at cost	(16,262)	(12,382)
Retained earnings	107,302	97,067
	<hr/>	<hr/>
Total stockholders equity	157,571	150,147
	<hr/>	<hr/>
Total liabilities and stockholders equity	\$ 239,880	\$ 217,407
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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 Three Months Ended March 31, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	<u>2005</u>	<u>2004</u>
Revenues:		
Gaming revenue:		
Class II	\$ 31,222	\$ 31,184
Charity	5,454	2,315
All other	2,121	2,669
Player terminal and license sale and lease revenue	811	3,011
Other	439	421
	<u>40,047</u>	<u>39,600</u>
OPERATING COSTS AND EXPENSES:		
Cost of player terminals and licenses sold	960	1,886
Selling, general and administrative expenses	15,606	15,480
Amortization and depreciation	14,763	8,553
	<u>31,329</u>	<u>25,919</u>
Operating income	8,718	13,681
OTHER INCOME (EXPENSE):		
Interest income	350	365
Interest expense	(663)	(415)
	<u>8,405</u>	<u>13,631</u>
Income before income taxes	8,405	13,631
Income tax expense	3,193	5,131
	<u>\$ 5,212</u>	<u>\$ 8,500</u>
Basic earnings per share	\$ 0.19	\$ 0.31
Diluted earnings per share	\$ 0.18	\$ 0.28

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 Six Months Ended March 31, 2005 and 2004

(In thousands, except per-share amounts)

(Unaudited)

	<u>2005</u>	<u>2004</u>
Revenues:		
Gaming revenue:		
Class II	\$ 58,891	\$ 60,431
Charity	10,054	2,445
All other	7,421	3,948
Player terminal and license sale and lease revenue	1,805	6,388
Other	1,042	843
	<u>79,213</u>	<u>74,055</u>
OPERATING COSTS AND EXPENSES:		
Cost of player terminals and licenses sold	1,801	3,574
Selling, general and administrative expenses	32,431	28,844
Amortization and depreciation	28,044	16,405
	<u>62,276</u>	<u>48,823</u>
Operating income	16,937	25,232
OTHER INCOME (EXPENSE):		
Interest income	782	728
Interest expense	(1,217)	(638)
	<u>16,502</u>	<u>25,322</u>
Income before income taxes	16,502	25,322
Income tax expense	6,267	9,552
	<u>10,235</u>	<u>15,770</u>
Net income	\$ 10,235	\$ 15,770
	<u>0.37</u>	<u>0.58</u>
Basic earnings per share	\$	\$
	<u>0.34</u>	<u>0.51</u>
Diluted earnings per share	\$	\$

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

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(In thousands)

(Unaudited)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,235	\$ 15,770
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:		
Amortization	1,930	995
Depreciation	26,114	15,410
Accretion of contract rights	801	
Write off of long-lived assets	117	
Provision for inventory and long-lived assets	35	
Deferred income taxes	(2,377)	631
Options issued to consultants	81	232
Provision for (Recovery of) doubtful accounts	142	(53)
(Increase) decrease in:		
Accounts receivable	(2,374)	(4,682)
Inventory	199	240
Prepaid expenses and other	(1,736)	(1,052)
Federal and state income tax payable/receivable	8,666	349
Notes receivable	3,732	(1,110)
Increase (decrease) in:		
Accounts payable and accrued expenses	858	1,564
Deferred revenue	(422)	405
Other long-term liabilities	(548)	1,421
	<u>45,453</u>	<u>30,120</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment and leased gaming equip		