

CONCERTO SOFTWARE INC
Form 10-Q
October 27, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2003

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 000-15578

CONCERTO SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction

of incorporation)

No. 02-0364368
(I.R.S. Employer

Identification Number)

6 Technology Park Drive

Westford, Massachusetts
(Address of principal executive offices)

01886
(Zip Code)

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Telephone: (978) 952-0200

(Registrant's telephone number, including area code)

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 Securities Exchange Act of 1934). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock: Common Stock, par value \$.10 per share, outstanding as of October 22, 2003: 11,177,737 shares.

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CONCERTO SOFTWARE, INC. & SUBSIDIARIES

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	September 30, 2003	December 31, 2002
	(Unaudited)	(Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,074	\$ 19,289
Marketable securities	10,765	15,775
Accounts receivable, net of reserves of \$4,245 and \$3,183 in 2003 and 2002, respectively	20,735	17,234
Prepaid expenses and other current assets	4,942	5,536
Deferred tax assets	5,373	5,373
Total current assets	59,889	63,207
Property and equipment, net	7,620	7,910
Goodwill	16,716	17,182
Purchased intangible assets, net	4,045	5,369
Other assets	463	541
Total assets	\$ 88,733	\$ 94,209
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,200	\$ 7,015
Accrued expenses	11,763	14,441
Current portion of long-term debt	274	616
Deferred revenue	12,263	13,406
Total current liabilities	30,500	35,478
Long-term liabilities	852	1,110
Long-term debt		19
Total liabilities	31,352	36,607
Minority interest in consolidated joint venture	400	
Stockholders' equity:		
Common stock, \$0.10 par value Authorized 30,000 shares Issued 14,556 shares	1,456	1,456
Additional paid-in capital	82,377	82,809
Other comprehensive loss	(449)	(553)

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Retained earnings	3,633	1,690
	<u>87,017</u>	<u>85,402</u>
Treasury stock, 3,404 and 2,910 shares, at cost, in 2003 and 2002, respectively	(30,036)	(27,800)
Total stockholders' equity	56,981	57,602
	<u>\$ 88,733</u>	<u>\$ 94,209</u>

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

Table of Contents**PART I. FINANCIAL INFORMATION (continued)****ITEM 1. FINANCIAL STATEMENTS****CONCERTO SOFTWARE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands, Except Per Share Data)****(Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Product revenue	\$ 12,208	\$ 12,002	\$ 34,970	\$ 34,171
Service revenue	14,944	13,539	44,015	39,399
Total revenue	27,152	25,541	78,985	73,570
Cost of product revenue	2,681	2,588	7,803	6,750
Cost of service revenue	7,620	6,977	22,797	19,709
Total cost of revenue	10,301	9,565	30,600	26,459
Gross profit	16,851	15,976	48,385	47,111
Operating expenses:				
Research, development and engineering	3,918	4,075	11,859	12,136
Selling, general and administrative	11,534	10,962	33,217	33,750
Amortization of purchased intangible assets	441	441	1,324	1,250
Merger and integration costs				3,112
Restructuring costs				2,030
Total operating expenses	15,893	15,478	46,400	52,278
Income (loss) from operations	958	498	1,985	(5,167)
Interest expense	(7)	(43)	(42)	(123)
Minority interest in losses of consolidated joint venture	100		100	
Other income	45	221	562	812
Income (loss) before provision for (benefit from) income taxes	1,096	676	2,605	(4,478)
Provision for (benefit from) income taxes	275	169	662	(1,119)

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Net income (loss)	\$ 821	\$ 507	\$ 1,943	(\$ 3,359)
Earnings (loss) per share:				
Basic	\$ 0.07	\$ 0.04	\$ 0.17	(\$ 0.28)
Diluted	\$ 0.07	\$ 0.04	\$ 0.17	(\$ 0.28)
Weighted average shares outstanding:				
Basic	11,139	11,843	11,297	12,174
Diluted	11,442	11,942	11,450	12,174

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

Table of Contents**PART I. FINANCIAL INFORMATION (continued)****ITEM 1. FINANCIAL STATEMENTS****CONCERTO SOFTWARE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2003	2002
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Net income (loss)	\$ 1,943	(\$ 3,359)
Adjustments to reconcile net income (loss) to net cash used in operating activities -		
Depreciation and amortization	4,363	4,599
Write-off of prepaid OEM software licenses		1,127
Minority interest in consolidated joint venture	400	
Deferred taxes		(1,370)
Changes in current assets and liabilities (net of acquisition of CellIt, Inc. in 2002)		
Accounts receivable	(3,750)	(3,762)
Prepaid expenses and other current assets	858	