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MULTIMEDIA GAMES INC
Form 8-K
November 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: NOVEMBER 24, 2004
(Date of earliest event reported) (NOVEMBER 17, 2004)

MULTIMEDIA GAMES, INC.
(Exact name of registrant as specified in its charter)

001-14551
(COMMISSION FILE NUMBER)

TEXAS
(State or other jurisdiction
of incorporation)

74-2611034
(IRS Employer
Identification No.)

206 WILD BASIN RD., BLDG. B, SUITE 400,
AUSTIN, TEXAS
(Address of principal executive offices)

78746
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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ITEM 2.02. RESULTS OF OPERATION AND FINANCIAL CONDITION.

On November 17, 2004, Multimedia Games, Inc. (the "Registrant") issued a press release announcing its fiscal year 2004 results, and on the same date held a related conference call to discuss these results. The full text of the press release issued in connection with the announcement, and the related conference call transcript are attached to this Current Report on Form 8-K as Exhibit Nos. 99.1 and 99.2, respectively. The November 17, 2004 press release and the conference call transcript contain forward-looking statements regarding the Registrant, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

USE OF NON-GAAP FINANCIAL INFORMATION

The Registrant uses the non-GAAP measure of EBITDA in its earnings releases. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles ("GAAP"), the Registrant believes the use of the non-GAAP financial measure EBITDA enhances an overall understanding of the Registrant's past financial performance and provides useful information to the investor, because of its historical use by the Registrant as a performance measure, and the use of EBITDA by virtually all companies in the gaming equipment sector as a measure of performance. However, investors should not consider this measure in isolation or as a substitute for net income, operating income, or any other measure for determining the Registrant's operating performance that is calculated in accordance with GAAP. In addition, because EBITDA is not calculated in accordance with GAAP, it may not necessarily be comparable to similarly titled measures employed by other companies. The Registrant has included a reconciliation of EBITDA to the most comparable GAAP financial measure, net income, in the attached press release.

ITEM 7.01 REGULATION FD DISCLOSURE

Historically, the Registrant entered into revenue arrangements with its tribal customers that, among other things, required the Registrant to guarantee certain prize payout levels, to account for and collect all revenues associated with its games, and disburse the allotment to the tribes based on the prize guarantee. Accordingly, revenues have historically been presented on a gross basis to accurately reflect this relationship. Since the Registrant is no longer responsible for guaranteeing prize payouts on a majority of its games, and customers now generally collect total revenues associated with the Registrant's games and remit to the Registrant the net balance due, the Registrant has reclassified its income statement, and is presenting the net amounts due as revenue.

On November 17, 2004, in its conference call regarding its fiscal year 2004 results, the Registrant indicated that it would make available on its website certain historical financial statements presented in accordance with this new presentation method. The following is the information provided on the Registrant's website:

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MULTIMEDIA GAMES, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except shares and per-share amounts)

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| | SEPTEMBER 30 2004 | JUNE 30, 2004 | MARCH 31, 2004 | DECEMBER 31, 2003 |
|--|----------------------|-------------------|-------------------|----------------------|
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 4,768 | \$ 29,648 | \$ 36,634 | \$ 36,634 |
| Accounts receivable(1) | 10,397 | 9,299 | 10,434 | 10,434 |
| Inventory | 930 | 3,915 | 1,882 | 1,882 |
| Prepaid expenses and other | 2,242 | 2,783 | 2,112 | 2,112 |
| Notes receivable, net | 12,299 | 1,939 | 2,900 | 2,900 |
| Federal and state income tax receivable | 3,714 | 2,718 | 1,190 | 1,190 |
| Deferred income taxes | 3,239 | 1,827 | 2,033 | 2,033 |
| TOTAL CURRENT ASSETS | 37,589 | 52,129 | 57,185 | 57,185 |
| Restricted cash and long-term investments | 1,216 | 1,216 | 1,297 | 1,297 |
| Property and equipment, net | 140,110 | 134,365 | 113,945 | 113,945 |
| Notes receivable - non-current | 20,588 | 7,155 | 4,537 | 4,537 |
| Other assets | 17,904 | 11,297 | 10,442 | 10,442 |
| TOTAL ASSETS | \$ 217,407 | \$ 206,162 | \$ 187,406 | \$ 187,406 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES: | | | | |
| Current portion of long-term debt and capital leases | \$ 9,713 | \$ 9,633 | \$ 9,293 | \$ 9,293 |
| Accounts payable and accrued expenses | 25,780 | 25,603 | 21,535 | 21,535 |
| Deferred revenue | 1,847 | 244 | 429 | 429 |
| TOTAL CURRENT LIABILITIES | 37,340 | 35,480 | 31,257 | 31,257 |
| Long-term debt and capital leases, less current portion | 10,753 | 13,114 | 14,687 | 14,687 |
| Other long-term liabilities | 3,932 | 4,206 | 4,731 | 4,731 |
| Deferred revenue - non-current | 2,050 | -- | -- | -- |
| Deferred income taxes | 13,185 | 7,314 | 5,183 | 5,183 |
| TOTAL LIABILITIES | 67,260 | 60,114 | 55,858 | 55,858 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Preferred stock | -- | -- | -- | -- |
| Common stock | 305 | 304 | 300 | 300 |
| Additional paid-in capital | 65,157 | 64,405 | 59,745 | 59,745 |
| Stockholders' notes receivable | -- | -- | -- | -- |
| Treasury stock | (12,382) | (8,562) | (8,562) | (8,562) |
| Retained earnings | 97,067 | 89,901 | 80,065 | 80,065 |
| Total stockholders' equity | 150,147 | 146,048 | 131,548 | 131,548 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 217,407 | \$ 206,162 | \$ 187,406 | \$ 187,406 |
| (1) Net of allowance for doubtful accounts of: | 533 | 591 | 516 | 516 |

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MULTIMEDIA GAMES, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per-share amounts)

| | Year Ended | Period | |
|--|-------------------|-------------------|-----------------|
| | Sept. 30, 2004 | Sept. 30, 2004 | June 30 2004 |
| REVENUES: | | | |
| Gaming revenue - Class II | \$ 119,584 | \$ 30,109 | \$ 29,044 |
| Gaming revenue - All Other | 20,568 | 7,844 | 6,331 |
| Player terminal and license sale and lease revenue | 11,546 | 4,353 | 805 |
| Other | 1,977 | 394 | 740 |
| Total revenues | 153,675 | 42,700 | 36,920 |
| OPERATING COSTS AND EXPENSES: | | | |
| Bingo prizes and related costs | --- | --- | --- |
| Cost of player terminals and licenses sold | 6,560 | 2,320 | 666 |
| Selling, general and administrative expenses | 59,429 | 17,634 | 12,951 |
| Amortization and depreciation | 37,255 | 11,085 | 9,765 |
| Total operating costs and expenses | 103,244 | 31,039 | 23,382 |
| Operating income | 50,431 | 11,661 | 13,538 |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 1,120 | 214 | 178 |
| Interest expense | (1,494) | (427) | (429) |
| Income before income taxes | 50,057 | 11,448 | 13,287 |
| Income tax expense | (17,285) | (4,282) | (3,451) |
| Net income | \$ 32,772 | \$ 7,166 | \$ 9,836 |
| Basic earnings per share | \$ 1.19 | \$ 0.26 | \$ 0.35 |
| Diluted earnings per share | \$ 1.07 | \$ 0.24 | \$ 0.32 |
| Shares used in per-share calculation | | | |
| Basic | 27,467 | 28,007 | 27,873 |
| Diluted | 30,636 | 30,285 | 30,936 |
| Net income | \$ 32,772 | \$ 7,166 | \$ 9,836 |
| Amortization and depreciation | 37,255 | 11,085 | 9,765 |
| Interest expense (income), net | 374 | 213 | 251 |
| Income tax expense | 17,285 | 4,282 | 3,451 |
| EBITDA | \$ 87,686 | \$ 22,746 | \$ 23,303 |

MULTIMEDIA GAMES, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per-share amounts)

Year Ended Period

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| | Sept. 30, 2004 | Sept. 30, 2004 | June 30 2004 |
|--|-------------------|-------------------|------------------|
| REVENUES: | | | |
| Gaming revenue - Class II | \$ 102,292 | \$ 28,228 | \$ 24,051 |
| Gaming revenue - All Other | 4,365 | 1,233 | 1,068 |
| Player terminal and license sale and lease revenue | 16,322 | 699 | 12,489 |
| Other | 1,694 | 584 | 384 |
| Total revenues | 124,673 | 30,744 | 37,992 |
| OPERATING COSTS AND EXPENSES: | | | |
| Bingo prizes and related costs | 1,175 | 4 | 68 |
| Cost of player terminals and licenses sold | 8,535 | 370 | 7,163 |
| Selling, general and administrative expenses | 41,946 | 12,160 | 10,599 |
| Amortization and depreciation | 22,286 | 6,767 | 5,684 |
| Total operating costs and expenses | 73,942 | 19,301 | 23,514 |
| Operating income | 50,731 | 11,443 | 14,478 |
| OTHER INCOME (EXPENSE): | | | |
| Interest income | 328 | 65 | 71 |
| Interest expense | (309) | (64) | (187) |
| Income before income taxes | 50,750 | 11,444 | 14,362 |
| Income tax expense | (19,095) | (4,046) | (5,498) |
| Net income | \$ 31,655 | \$ 7,398 | \$ 8,864 |
| Basic earnings per share | \$ 1.22 | \$ 0.28 | \$ 0.34 |
| Diluted earnings per share | \$ 1.08 | \$ 0.25 | \$ 0.30 |
| Shares used in per-share calculation | | | |
| Basic | 25,993 | 26,319 | 25,999 |
| Diluted | 29,417 | 29,777 | 29,635 |
| Net income | \$ 31,655 | \$ 7,398 | \$ 8,864 |
| Amortization and depreciation | 22,286 | 6,767 | 5,684 |
| Interest expense (income), net | (19) | (1) | 116 |
| Income tax expense | 19,095 | 4,046 | 5,498 |
| EBITDA | \$ 73,017 | \$ 18,210 | \$ 20,162 |

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ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits. EXHIBIT NO. DESCRIPTION

99.1 Press Release, dated November 17, 2004, announcing fiscal year 2004 results

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99.2 Transcript of fiscal year 2004 earnings conference call

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MULTIMEDIA GAMES, INC.

Dated: November 24, 2004

By: /s/ Craig S. Nouis

Craig S. Nouis
Chief Financial Officer and
Principal Accounting Officer

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EXHIBIT INDEX

| EXHIBIT NO. ----- | DESCRIPTION |
|----------------------|--|
| 99.1 | Press Release, dated November 17, announcing fiscal 2004 results |
| 99.2 | Transcript of fiscal year 2004 earnings conference call |

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