

CONCERTO SOFTWARE INC  
Form 10-Q  
May 13, 2003  
Table of Contents

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**FORM 10-Q**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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(Mark One)

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

For the quarterly period ended March 31, 2003

**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 number 000-15578

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**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)

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**6 Technology Park Drive**

**Westford, Massachusetts 01886**

(Address of principal executive offices) (Zip Code)

**Telephone: (978) 952-0200**

(Registrant's telephone number, including area code)

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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 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 May 9, 2003: 11,478,503 shares.

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Table of Contents

CONCERTO SOFTWARE, INC. & SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

	<u>Financial Statements:</u>	<u>Page No.</u>
Item 1.	<u>Consolidated Balance Sheets as of March 31, 2003 and December 31, 2002</u>	3
	<u>Consolidated Statements of Operations for the Three Months Ended March 31, 2003 and 2002</u>	4
	<u>Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2003 and 2002</u>	5
	<u>Notes to Consolidated Financial Statements</u>	6-11
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12-15
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	16-17
Item 4.	<u>Controls and Procedures</u>	18

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	19
Item 6.	<u>Exhibits and Reports on Form 8-K</u>	19
	<u>Signatures</u>	20
	<u>Certifications</u>	21-22

**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CONCERTO SOFTWARE, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In Thousands, Except Par Value)**

	<b>March 31,</b>	<b>December 31,</b>
	<b>2003</b>	<b>2002</b>
<b>ASSETS</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Current assets:		
Cash and cash equivalents	\$ 16,259	\$ 19,289
Marketable securities	12,388	15,775
Accounts receivable, net of reserves of \$3,496 and \$3,183 in 2003 and 2002, respectively	19,067	17,234
Prepaid expenses and other current assets	4,702	5,536
Deferred tax assets	5,373	5,373
<b>Total current assets</b>	<b>57,789</b>	<b>63,207</b>
Property and equipment, net	8,259	7,910
Goodwill	17,182	17,182
Purchased intangible assets, net	4,927	5,369
Other assets	399	541
	<b>\$ 88,556</b>	<b>\$ 94,209</b>
	<b>_____</b>	<b>_____</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 7,688	\$ 7,015
Accrued expenses	9,703	15,467
Current portion of long-term debt	501	616
Deferred revenue	12,923	13,406
<b>Total current liabilities</b>	<b>30,815</b>	<b>36,588</b>
Long-term liabilities	985	84
Long-term debt	17	19
<b>Total liabilities</b>	<b>31,817</b>	<b>36,607</b>
Stockholders' equity:		
Common stock, \$0.10 par value		
Authorized 30,000 shares		
Issued 14,556 shares	1,456	1,456

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Additional paid-in capital	82,703	82,809
Accumulated foreign currency translation adjustments	(479)	(553)
Retained earnings	2,165	1,690
	<u>85,845</u>	<u>85,402</u>
Treasury stock, 3,144 and 2,910 shares, at cost, in 2003 and 2002, respectively	(29,106)	(27,800)
	<u>56,739</u>	<u>57,602</u>
Total stockholders' equity	\$ 88,556	\$ 94,209
	<u>\$ 88,556</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)**

	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
Product revenue	\$ 11,010	\$ 10,625
Service revenue	14,554	12,700
<b>Total revenue</b>	<b>25,564</b>	<b>23,325</b>
Cost of product revenue	2,627	2,014
Cost of service revenue	7,328	6,341
<b>Total cost of revenue</b>	<b>9,955</b>	<b>8,355</b>
<b>Gross profit</b>	<b>15,609</b>	<b>14,970</b>
Operating expenses:		
Research, development and engineering	3,952	4,064
Selling, general and administrative	10,918	11,204
Amortization of purchased intangible assets	441	368
Merger and integration costs		3,112
Restructuring costs		2,030
<b>Total operating expenses</b>	<b>15,311</b>	<b>20,778</b>
<b>Income (loss) from operations</b>	<b>298</b>	<b>(5,808)</b>
Interest expense	(18)	(32)
Other income	362	359
<b>Income (loss) before provision for (benefit from) income taxes</b>	<b>642</b>	<b>(5,481)</b>
Provision for (benefit from) income taxes	167	(1,371)
<b>Net income (loss)</b>	<b>\$ 475</b>	<b>(\$ 4,110)</b>
Earnings (loss) per share:		
Basic	\$ 0.04	(\$ 0.33)

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Diluted	\$ 0.04	(\$ 0.33)
Weighted average shares outstanding:		
Basic	11,519	12,534
Diluted	11,617	12,534

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)**

	<b>Three Months Ended March 31,</b>	
	<b>2003</b>	<b>2002</b>
	<u>          </u>	<u>          </u>
Cash Flows from Operating Activities:		
Net income (loss)	\$ 475	(\$ 4,110)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	1,378	1,220
Write-off of prepaid OEM software licenses		1,127
Deferred taxes		(1,370)
Changes in current assets and liabilities (net of acquisition of CellIt, Inc.)		
Accounts receivable	(1,838)	(2,773)
Prepaid expenses and other current assets	853	(13)
Accounts payable	671	878
Accrued expenses	(4,877)	356
Deferred revenue	(481)	1,807
	<u>          </u>	<u>          </u>
Net cash used in operating activities	(3,819)	(2,878)
	<u>          </u>	<u>          </u>
Cash Flows From Investing Activities:		
Acquisition of CellIt, Inc., net of cash acquired		(10,931)