

BALLY TECHNOLOGIES, INC.
Form 10-Q
June 20, 2007

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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended December 31, 2006

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 0-4281

BALLY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

NEVADA
(State or other jurisdiction of
incorporation or organization)
6601 S. Bermuda Rd.
Las Vegas, Nevada
(Address of principal executive offices)

88-0104066
(I.R.S. Employer
Identification No.)

89119
(Zip Code)

Registrant's telephone number: **(702) 584-7700**

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 a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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The number of shares of Common Stock, \$0.10 par value, outstanding as of June 15, 2007, according to the records of the registrant's registrar and transfer agent was 53,972,000 which does not include 587,000 shares held in treasury.

EXPLANATORY NOTE

As previously disclosed on the Form 12b-25 of Bally Technologies, Inc. (Bally, the Company, or we), filed with the Securities and Exchange Commission (the SEC) on February 12, 2007, the filing of this Quarterly Report on Form 10-Q for the quarter ended December 31, 2006 was originally delayed due to the significant amount of additional time and resources necessary to complete our amended and restated Annual Report on Form 10-K for the fiscal year ended June 30, 2005 (the 2005 10-K/A), which was filed with the SEC on October 31, 2006. The filing of this Quarterly Report on Form 10-Q was further delayed by the significant amount of time and resources necessary to complete our Quarterly Reports on Form 10-Q for the quarters ended September 30, 2005, December 31, 2005 and March 31, 2006, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2006 (the 2006 10-K), which was filed with the SEC on March 15, 2007. Furthermore, the preparation of the financial information presented in this Quarterly Report on Form 10-Q required additional time and resources because it was prepared while certain material weaknesses existed in our internal control over financial reporting.

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PART I

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006	June 30, 2006
	(in 000s, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,432	\$ 16,425
Restricted cash	15,687	14,484
Accounts and notes receivable, net of allowances for doubtful accounts of \$7,478 and \$8,073	136,735	135,497
Inventories	70,281	69,995
Income taxes receivable	570	266
Deferred tax assets, net	51,374	51,374
Other current assets	42,708	41,313
Total current assets	329,787	329,354
Long-term investments (restricted)	10,373	8,984
Long-term receivables	5,473	6,436
Property, plant and equipment, net of accumulated depreciation of \$48,106 and \$49,756	78,635	68,464
Leased gaming equipment, net of accumulated depreciation of \$73,081 and \$64,160	56,773	43,408
Goodwill	161,590	161,303
Intangible assets, net of accumulated amortization of \$25,971 and \$23,963	24,873	27,656
Deferred tax assets, net	22,112	20,048
Other assets, net	29,101	22,228
Total assets	\$ 718,717	\$ 687,881
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 34,379	\$ 39,622
Accrued liabilities	74,375	86,131
Jackpot liabilities	13,388	13,139
Deferred revenue	63,453	47,081
Current maturities of long-term debt and capital leases, including \$5,219 and \$6,600 owed to related parties	16,066	12,864
Total current liabilities	201,661	198,837
Long-term debt and capital leases, net of current maturities, including \$8,981 and \$7,600 owed to related parties	328,115	315,482
Other liabilities	33,859	28,800
Total liabilities	563,635	543,119
Minority interest	1,554	684
Commitment and Contingencies (Note 9)		
Stockholders' equity:		
Special stock, 10,000,000 shares authorized: Series E, \$100 liquidation value; 115 shares issued and outstanding	12	12
Common stock, \$.10 par value; 100,000,000 shares authorized; 53,741,000 and 52,880,000 shares issued and 53,210,000 and 52,354,000 outstanding	5,368	5,283
Treasury stock at cost, 531,000 and 526,000 shares	(706)	(665)
Additional paid-in capital	231,851	219,472
Accumulated other comprehensive income	1,118	1,351
Accumulated deficit	(84,115)	(81,375)
Total stockholders' equity	153,528	144,078
Total liabilities and stockholders' equity	\$ 718,717	\$ 687,881

See accompanying notes to unaudited condensed consolidated financial statements.

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
(in 000s, except per share amounts)				
Revenues:				
Gaming equipment and systems	\$ 140,533	\$ 113,961	\$ 282,496	\$ 208,756
Casino operations	11,238	13,513	23,077	24,158
	151,771	127,474	305,573	232,914
Costs and expenses:				
Cost of gaming equipment and systems	70,653	65,266	143,540	114,163
Cost of casino operations	4,439	4,939	8,901	9,222
Selling, general and administrative	51,622	46,028	101,666	86,960
Research and development costs	13,307	10,785	25,863	21,042
Depreciation and amortization	5,903	6,951	11,336	12,824
	145,924	133,969	291,306	244,211
Operating income (loss)	5,847	(6,495)	14,267	(11,297)
Other income (expense):				
Interest income	413	589	1,324	1,492
Interest expense	(10,200)	(7,272)	(18,121)	(13,204)
Other, net	675	(250)	925	(521)
Loss before income taxes and minority interest	(3,265)	(13,428)	(1,605)	(23,530)
Income tax benefit	2,358	4,702	1,687	8,835
Minority interest	(1,608)	(177)	(2,822)	(2,587)
Net loss	\$ (2,515)	\$ (8,903)	\$ (2,740)	\$ (17,282)
Basic and diluted loss per share	\$ (0.05)	\$ (0.17)	\$ (0.05)	\$ (0.33)
Weighted average shares outstanding:				
Basic and diluted	53,072	52,138	52,985	52,138

See accompanying notes to unaudited condensed consolidated financial statements.

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31,	
	2006	2005
	(in 000s)	
Cash flows from operating activities:		
Net loss	\$ (2,740)	\$ (17,282)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	29,330	30,938
Share-based compensation	8,112	5,914
Deferred income taxes	(2,063)	(9,012)
Provision for doubtful accounts	290	680
Inventory and other asset write-downs	6,215	7,983
Other	9,523	6,960
Changes in operating assets and liabilities:		
Accounts and notes receivable	(1,036)	(23,809)
Inventories	(10,719)	4,446
Other current assets	(785)	3,656
Accounts payable	(6,759)	(8,847)
Accrued liabilities, deferred revenue and jackpot liabilities	2,901	21,540
Net cash provided by operating activities	32,269	23,167
Cash flows from investing activities:		
Additions to property, plant, and equipment	(8,778)	(6,246)
Additions to leased gaming equipment	(47,486)	(19,933)
Restricted cash and investments	(1,138)	(866)
Additions to other long-term assets	(1,251)	(1,804)
Net cash used in investing activities	(58,653)	(28,849)
Cash flows from financing activities:		
Proceeds from revolving credit facility	5,000	
Payments on revolving credit facility	(5,000)	
Reduction of long-term debt	(4,224)	(3,042)
Proceeds from sale lease-back arrangements	22,303	
Proceeds from exercise of stock options	4,311	172
Net cash provided by (used in) financing activities	22,390	(2,870)
Effect of exchange rate changes on cash	1	23
Cash and cash equivalents:		
Decrease for period	(3,993)	(8,529)
Balance, beginning of period	16,425	33,170
Balance, end of period	\$ 12,432	