

MULTIMEDIA GAMES INC
Form 10-Q
May 12, 2008
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UNITED STATES
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 March 31, 2008

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: 001-14551

Multimedia Games, Inc.

(Exact name of Registrant as specified in its charter)

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Texas
(State or other jurisdiction of
incorporation or organization)

74-2611034
(IRS Employer
Identification No.)

206 Wild Basin Road, Building B, Fourth Floor

Austin, Texas
(Address of principal executive offices)

78746
(Zip Code)

(512) 334-7500

(Registrant's telephone number, including area code)

Registrant's website: www.multimedialogames.com

None

(Former name, former address and former fiscal year, if changed since last report)

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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

As of May 5, 2008, there were 26,271,771 shares of the Registrant's common stock, par value \$0.01 per share, outstanding.

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Table of Contents**PART I****FINANCIAL INFORMATION****Item 1. Condensed Financial Statements****MULTIMEDIA GAMES, INC.****CONSOLIDATED BALANCE SHEETS****As of March 31, 2008 and September 30, 2007**

(In thousands, except shares)

(Unaudited)

	March 31, 2008	September 30, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 959	\$ 5,805
Accounts receivable, net of allowance for doubtful accounts of \$1,111 and \$854, respectively	26,555	22,176
Inventory	5,632	3,602
Prepaid expenses and other	2,502	2,906
Current portion of notes receivable, net	11,957	12,248
Federal and state income tax receivable	662	
Deferred income taxes	2,561	1,932
Total current assets	50,828	48,669
Restricted cash and long-term investments	868	928
Leased gaming equipment, net	38,869	38,579
Property and equipment, net	69,633	75,332
Long-term portion of notes receivable, net	52,688	36,797
Intangible assets, net	40,229	35,884
Other assets	5,573	3,497
Deferred income tax	17,808	16,583
Total assets	\$ 276,496	\$ 256,269
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 1,335	\$ 563
Accounts payable and accrued expenses	18,806	22,021
Federal and state income tax payable	2,606	2,444
Current deferred revenue	1,235	1,020
Total current liabilities	23,982	26,048
Revolving line of credit	30,125	7,000
Long-term debt, less current portion	69,437	74,484
Other long-term liabilities	1,213	928
Deferred revenue, less current portion	1,624	

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Total liabilities	126,381	108,460
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
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, 32,175,188 and 32,134,614 shares issued, and 26,271,771 and 26,231,197 shares outstanding, respectively	322	321

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MULTIMEDIA GAMES, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

As of March 31, 2008 and September 30, 2007

(In thousands, except shares)

(Unaudited)

	March 31, 2008	September 30, 2007
Additional paid-in capital	80,848	80,112
Treasury stock, 5,903,417 common shares at cost	(50,128)	(50,128)
Retained earnings	118,860	117,498
Accumulated other comprehensive income, net	213	6
Total stockholders equity	150,115	147,809
Total liabilities and stockholders equity	\$ 276,496	\$ 256,269

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

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MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months Ended March 31, 2008 and 2007

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2008	2007
REVENUES:		
Gaming revenue:		
Class II	\$ 7,546	\$ 12,917
Oklahoma compact	14,138	8,699
Charity	4,396	5,040
All other	5,262	3,045
Gaming equipment, system sale and lease revenue	378	701
Other	482	324
Total revenues	32,202	30,726
OPERATING COSTS AND EXPENSES:		
Cost of gaming equipment and systems sold and royalty fees	414	193
Selling, general and administrative expenses	16,633	16,533
Amortization and depreciation	12,433	14,961
Total operating costs and expenses	29,480	31,687
Operating income (loss)	2,722	(961)
OTHER INCOME (EXPENSE):		
Interest income	1,136	1,075
Interest expense	(2,491)	(1,221)
Other income	872	1,111
Income before income taxes	2,239	4
Income tax expense (benefit)	981	(2)
Net income	\$ 1,258	\$ 6
Basic earnings per common share	\$ 0.05	\$ 0.00
Diluted earnings per common share	\$ 0.05	\$ 0.00
Shares used in earnings per common share		
Basic	26,271	27,680
Diluted	27,243	29,450

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

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MULTIMEDIA GAMES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Six Months Ended March 31, 2008 and 2007

(In thousands, except per share data)

(Unaudited)

	Six Months Ended March 31,	
	2008	2007
REVENUES:		
Gaming revenue:		
Class II	\$ 15,586	\$ 28,230
Oklahoma compact	25,699	14,585
Charity	8,253	9,202
All other	9,900	5,524
Gaming equipment, system sale and lease revenue	2,149	1,027
Other	850	1,208
Total revenues	62,437	59,776
OPERATING COSTS AND EXPENSES:		
Cost of gaming equipment and systems sold and royalty fees	1,204	716
Selling, general and administrative expenses	32,734	35,145
Amortization and depreciation	24,956	29,438
Total operating costs and expenses	58,894	65,299
Operating income (loss)	3,543	(5,523)
OTHER INCOME (EXPENSE):		
Interest income	2,270	2,649
Interest expense	(4,631)	(2,531)
Other income	1,210	1,111
Income (loss) before income taxes	2,392	(4,294)
Income tax expense (benefit)	735	(1,488)
Net income (loss)	\$ 1,657	\$ (2,806)
Basic earnings (loss) per common share	\$ 0.06	\$ (0.10)
Diluted earnings (loss) per common share	\$ 0.06	\$ (0.10)
Shares used in earnings per common share		
Basic	26,234	27,607
Diluted	27,283	27,607

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

Table of Contents**MULTIMEDIA GAMES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Six Months Ended March 31, 2008 and 2007**

(In thousands)

(Unaudited)

	Six Months Ended March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,657	\$ (2,806)
Adjustments to reconcile net income (loss) to cash and cash equivalents provided by operating activities:		
Amortization	2,248	3,478
Depreciation	22,708	25,960
Accretion of contract rights	1,944	3,031
Provisions for inventory and long-lived assets	78	951
Deferred income taxes	(1,854)	(5,961)
Share-based compensation	587	668
Provision for doubtful accounts	262	487
Interest income from imputed interest on development agreements	(1,822)	(1,291)
Changes in operating assets and liabilities:		
Accounts receivable	(2,480)	(28)
Inventory	(2,030)	
Deferred contract costs	129	
Prepaid expenses and other	179	814
Federal and state income tax payable/receivable	(795)	(234)
Notes receivable	(348)	321
Accounts payable and accrued expenses	(3,215)	(2,677)
Other long-term liabilities	345	(36)
Deferred revenue	(2,154)	(301)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,439	22,376
CASH FLOWS USED IN INVESTING ACTIVITIES:		