

SYKES ENTERPRISES INC
Form 10-Q
November 05, 2013
Table of Contents

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 September 30, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File No. **0-28274**

Sykes Enterprises, Incorporated

(Exact name of Registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation or organization)

56-1383460

(IRS Employer Identification No.)

400 North Ashley Drive, Suite 2800, Tampa, FL 33602

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (813) 274-1000

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 at least the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Edgar Filing: SYKES ENTERPRISES INC - Form 10-Q

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 accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 October 30, 2013, there were 43,978,408 outstanding shares of common stock.

Table of Contents

Sykes Enterprises, Incorporated and Subsidiaries

Form 10-Q

INDEX

<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets – September 30, 2013 and December 31, 2012 (Unaudited)</u>	3
<u>Condensed Consolidated Statements of Operations – Three and Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) – Three and Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u>	5
<u>Condensed Consolidated Statements of Changes in Shareholders’ Equity – Nine Months Ended September 30, 2013 (Unaudited)</u>	6
<u>Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2013 and 2012 (Unaudited)</u>	7
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	9
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	43
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	56
<u>Item 4. Controls and Procedures</u>	58
<u>Part II. OTHER INFORMATION</u>	58
<u>Item 1. Legal Proceedings</u>	58
<u>Item 1A. Risk Factors</u>	58
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	59
<u>Item 3. Defaults Upon Senior Securities</u>	59
<u>Item 4. Mine Safety Disclosures</u>	59
<u>Item 5. Other Information</u>	59
<u>Item 6. Exhibits</u>	60
<u>SIGNATURE</u>	61

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Sykes Enterprises, Incorporated and Subsidiaries****Condensed Consolidated Balance Sheets**

(Unaudited)

(in thousands, except per share data)	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 196,735	\$ 187,322
Receivables, net	274,207	247,633
Prepaid expenses	17,233	12,370
Other current assets	21,280	20,017
Total current assets	509,455	467,342
Property and equipment, net	114,868	101,295
Goodwill, net	201,514	204,231
Intangibles, net	80,189	92,037
Deferred charges and other assets	43,865	43,784
	\$ 949,891	\$ 908,689
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 23,432	\$ 24,985
Accrued employee compensation and benefits	78,487	73,103
Current deferred income tax liabilities	916	92
Income taxes payable	1,880	800
Deferred revenue	37,187	34,283
Other accrued expenses and current liabilities	32,647	31,320
Total current liabilities	174,549	164,583
Deferred grants	7,040	7,607
Long-term debt	105,000	91,000
Long-term income tax liabilities	25,192	26,162
Other long-term liabilities	12,889	13,073
Total liabilities	324,670	302,425
Commitments and loss contingency (Note 15)		
Shareholders' equity:		
Preferred stock, \$0.01 par value, 10,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.01 par value, 200,000 shares authorized; 44,048 and 43,790 shares issued, respectively	440	438
Additional paid-in capital	278,992	277,192
Retained earnings	339,067	315,187
Accumulated other comprehensive income	9,519	14,856
Treasury stock at cost: 191 shares and 108 shares, respectively	(2,797)	(1,409)
Total shareholders' equity	625,221	606,264
	\$ 949,891	\$ 908,689

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**Sykes Enterprises, Incorporated and Subsidiaries****Condensed Consolidated Statements of Operations**

(Unaudited)

(in thousands, except per share data)	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	2013	2012	2013	2012
Revenues	\$ 322,143	\$ 280,526	\$ 928,122	\$ 823,426
Operating expenses:				
Direct salaries and related costs	215,001	183,628	628,848	536,758
General and administrative	73,987	75,747	222,967	217,653
Depreciation, net	10,677	9,583	30,863	30,033
Amortization of intangibles	3,699	2,774	11,171	6,644
Impairment of long-lived assets	-	122	-	271
Total operating expenses	303,364	271,854	893,849	791,359
Income from continuing operations	18,779	8,672	34,273	32,067
Other income (expense):				
Interest income	216	297	648	1,015
Interest (expense)	(630)	(421)	(1,716)	(1,049)
Other income (expense)	356	(715)	142	(1,804)
Total other income (expense)	(58)	(839)	(926)	(1,838)
Income from continuing operations before income taxes	18,721	7,833	33,347	30,229
Income taxes	4,575	(309)	7,087	3,569
Income from continuing operations, net of taxes	14,146	8,142	26,260	26,660
(Loss) from discontinued operations, net of taxes	-	-	-	(820)
(Loss) on sale of discontinued operations, net of taxes	-	-	-	(10,707)
Net income	\$ 14,146	\$ 8,142	\$ 26,260	\$ 15,133
Net income (loss) per common share:				
Basic:				
Continuing operations	\$ 0.33	\$ 0.19	\$ 0.61	\$ 0.62
Discontinued operations	-	-	-	(0.27)
Net income (loss) per common share	\$ 0.33	\$ 0.19	\$ 0.61	\$ 0.35
Diluted:				
Continuing operations	\$ 0.33	\$ 0.19	\$ 0.61	\$ 0.62
Discontinued operations	-	-	-	(0.27)
Net income (loss) per common share	\$ 0.33	\$ 0.19	\$ 0.61	\$ 0.35

Edgar Filing: SYKES ENTERPRISES INC - Form 10-Q

Weighted average common shares outstanding:

Basic	42,785	43,014	42,918	43,130
Diluted	42,836	43,031	42,948	43,179

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents

Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 14,146	\$ 8,142	\$ 26,260	