

MIND CTI LTD
Form 6-K
July 20, 2005

MIND CTI Reports 20% Operating Income and EPS of 5 cents in Q2 2005

*** 11% sequential revenue growth**

Key Highlights of Q2 2005

- Revenues were \$3.42 million, an 11% increase from \$3.08 million in the previous quarter and a 21% decrease from \$4.3 million in the second quarter of 2004.
- Operating income was \$687 thousand, a 110% increase over the previous quarter and a 9% decrease over the second quarter of 2004
- Net income for the second quarter was \$980 thousand or \$0.05 per diluted share, compared with a net income of \$1.59 million or \$0.07 per diluted share in the second quarter of 2004.
- Multiple customer upgrades (both license and services upgrades)

Yoqneam, Israel, July 19, 2005- MIND C.T.I. LTD. (NASDAQ: MNDO), a leading global provider of real-time mediation, rating, billing and customer care solutions for pre-paid and post-paid voice, data and content, today announced results for the second quarter ended June 30, 2005.

Monica Eisinger, MIND chairperson and chief executive officer, commented: "In the second quarter of 2005 we succeeded to grow both revenues and operating income, primarily credited to recurrent sales to existing customers. As previously estimated the financial income was lower this quarter due to a decrease in interest gained on our cash and the change in the Euro exchange rates.

We believe that the demand for our solutions continues and in order to address future needs of both existing customers and new opportunities we continue to invest significantly in enhancing our product offering. At the same time we continue to build the organization and add experienced people to our team.

We have a large and stable customer base and we expect the trend of customer license and services additions and upgrades to continue and add to the revenue increase in the long term."

Revenue Distribution for Q2 2005

The geographic revenue breakdown, as a percentage of total revenues, was as follows: sales in Europe represented 41%, the Americas represented 25%, Africa represented 20%, APAC represented 8% and Israel represented 6%.

Revenue from our customer care and billing software totaled \$2.88 million, while revenue from our enterprise call management software was \$547 thousand. The revenue breakdown from our business lines of products was \$1.72 million, or 50%, from licenses, \$1.11 million, or 33%, from maintenance and \$582 thousand, or 17%, from services.

New Executive Addition

In the second half of 2004 we initiated a process of organizing the company for future growth. For the last three quarters we added each quarter executives with experience in our field and background from larger organizations. In July 2005 Yossi Shoval joined our company as VP Strategic Business Alliances. Prior to joining our company, he was Director at Amdocs with responsibility for strategic alliances. Prior to that he served at Comverse as AVP with responsibility for the Comverse partnership program. Yossi holds an MBA from Heriot-Watt University in Scotland and a BA in Economics from Tel Aviv University.

As of June 30, 2005, we had 257 employees in our offices in Israel, Romania, the United States and China.

Conference Call Information

MIND will host a conference call on July 20, at 8:30 a.m., Eastern Time, to discuss the Company's second quarter results and other financial and business information, including trends and guidance for the near future. The call will be carried live on the Internet via www.fulldisclosure.com and the MIND website, www.mindcti.com. For those unable to listen to the live web cast, a replay will be available.

About MIND

MIND CTI Ltd. (<http://www.mindcti.com>) is a leading global provider of real-time billing and customer care solutions for pre-paid and post-paid voice, data and video. Since 1997 MIND has been a pioneer in enabling the VoIP technology for emerging and incumbent service providers. MIND solutions include "best-in-class" solutions for Service Enabling of IP services in the wireless arena, end-to-end convergent billing solutions and internal billing for large enterprises. MIND operates from offices in Europe, Israel, the United States and China.

For financial information, reports and presentations, please visit the Investor Relations site: <http://www.mindcti.com/ir>

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995: All statements other than historical facts included in the foregoing press release regarding the Company's business strategy are "forward looking statements." These statements are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements are not guarantees of future performance, and actual results may materially differ. The forward looking statements involve risks, uncertainties, and assumptions, including the risks discussed in the Company's filings with the United States Securities Exchange Commission. The Company does not undertake to update any forward-looking information.

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CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30 | | December 31 |
|---------------------------------------------|----------------------|---------------|---------------|
| | 2005 | 2004 | 2004 |
| | (Unaudited) | | (Audited) |
| | U.S. \$ in thousands | | |
| Assets | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$6,354 | \$8,181 | \$18,687 |
| Accounts receivable: | | | |
| Trade | 2,518 | 2,351 | 3,418 |
| Interest accrued on long-term bank deposits | 29 | 483 | 242 |
| Other | 726 | 827 | 773 |
| Inventories | 19 | 11 | 18 |
| Total current assets | 9,646 | 11,853 | 23,138 |
| LONG-TERM BANK DEPOSITS | 40,000 | 47,400 | 30,000 |

* 11% sequential revenue growth

| | | | |
|---------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization | 1,885 | 1,623 | 1,790 |
| OTHER ASSETS, net of accumulated amortization | 553 | 804 | 788 |
| T o t a l assets | \$52,084 | \$61,680 | \$55,716 |
| Liabilities and shareholders' equity | | | |
| CURRENT LIABILITIES - | | | |
| accounts payable and accruals: | | | |
| Trade | \$338 | \$1,321 | \$466 |
| Deferred revenues | 1,515 | 1,973 | 1,680 |
| Other | 1,721 | 1,470 | 2,124 |
| T o t a l current liabilities | 3,574 | 4,764 | 4,270 |
| EMPLOYEE RIGHTS UPON RETIREMENT | 1,118 | 1,061 | 1,200 |
| T o t a l liabilities | 4,692 | 15,825 | 5,470 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 53 | 53 | 53 |
| Additional paid-in capital | 59,357 | 58,634 | 59,079 |
| Accumulated deficit | (12,018) | (12,832) | (8,886) |
| T o t a l shareholders' equity | 47,392 | 45,855 | 50,246 |
| T o t a l liabilities and shareholders' equity | \$52,084 | \$61,680 | \$55,716 |

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Six months ended June 30 | | Three months ended June 30 | | Year ended December 31, |
|----------------------------------------------|--------------------------|---------|----------------------------|---------|-------------------------|
| | 2005 | 2004 | 2005 | 2004 | 2004 |
| | (Unaudited) | | (Unaudited) | | (Audited) |
| U.S. \$ in thousands (except per share data) | | | | | |
| REVENUES | \$6,504 | \$8,324 | \$3,422 | \$4,319 | \$17,806 |
| COST OF REVENUES | 1,607 | 2,087 | 1,086 | 1,086 | 4,394 |

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six months | Three | Year ended December |
|--|---------------|------------|---------------------|
| | ended June 30 | months | 31, |
| | | ended June | |
| | | 30 | |

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| | 2005 (Unaudited) | 2004 (Unaudited) | 2005 (Unaudited) | 2004 (Unaudited) | 2004 (Audited) |
|------------------------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| U.S. \$ in thousands | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net Income | \$2,011 | \$2,931 | \$980 | \$1,590 | \$6,877 |
| Adjustments to reconcile net income or loss to net cash provided by or used in operating activities: | | | | | |
| Depreciation and amortization | 338 | 348 | 158 | 161 | 680 |
| Accrued severance pay - net | 12 | 57 | 73 | 40 | 202 |
| Capital loss (gain) on sale of property and equipment - net | (30) | 6 | (7) | | (7) |
| Changes in operating asset and liability items: | | | | | |
| Decrease (increase) in accounts receivable: | | | | | |
| Trade | 900 | (170) | (738) | (391) | (1,237) |
| Interest accrued on long-term bank deposits | 213 | (1) | 804 | 744 | 240 |
| Other | 47 | 37 | (271) | 68 | 93 |
| Increase (decrease) in accounts payable and accruals: | | | | | |
| Trade | (128) | 603 | (25) | 791 | (252) |
| Other | (568) | 722 | (233) | (160) | 1,081 |
| Increase in Inventories | (1) | | | | (7) |
| Net cash provided by operating activities | 2,794 | 4,533 | 741 | 2,843 | 7,670 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Purchase of property and equipment | (421) | (702) | (205) | (232) | (1,226) |
| Amounts withdrawal (funded) in respect of accrued severance pay | 41 | (30) | (53) | (24) | (120) |
| Investments in long-term bank deposits | (10,000) | (10,400) | | (10,400) | (40,000) |
| Withdrawal of long-term bank deposits | | 3,000 | | | 50,000 |
| Proceeds from sale of property and equipment | 118 | 7 | 29 | 6 | 145 |
| Net cash provided by (used in) investing activities | (10,262) | (8,125) | (229) | (10,650) | 8,799 |
| CASH FLOWS FROM FINANCING ACTIVITIES - | | | | | |
| Bank loans received | | 10,000 | | 10,000 | |
| Employee stock options exercised and paid | 278 | 118 | 14 | 43 | 563 |
| Dividend paid | (5,143) | (2,736) | | | (2,736) |
| Net cash provided by (used in) financing activities | (4,865) | 7,382 | 14 | 10,043 | (2,173) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (12,333) | 3,7902 | 526 | 2,2363 | 14,296 |
| BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 18,687 | 4,391 | 5,828 | 5,945 | 4,391 |
| BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD | 6,354 | \$8,181 | 6,354 | \$8,181 | \$18,687 |

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