

EPICOR SOFTWARE CORP  
Form 10-Q  
May 15, 2003

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

**x 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 No. 0-20740**

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**EPICOR SOFTWARE CORPORATION**

**(Exact name of registrant as specified in its charter)**

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**Delaware**  
(State or other jurisdiction of

**33-0277592**  
(IRS Employer

incorporation or organization)

Identification No.)

**195 Technology Drive**

**Irvine, California 92618-2402**

(Address of principal executive offices, zip code)

**Registrant's telephone number, including area code: (949) 585-4000**

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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 Act). Yes ☐ No ☒

As of May 5, 2003, there were 43,573,982 shares of common stock outstanding.

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**PART I****FINANCIAL INFORMATION****Item 1 Financial Statements:****EPICOR SOFTWARE CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands)**(Unaudited)*

	<b>March 31, 2003</b>	<b>December 31, 2002</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,358	\$ 31,313
Accounts receivable, net	20,726	22,471
Prepaid expenses and other current assets	3,563	3,977
	<u>64,647</u>	<u>57,761</u>
Total current assets	64,647	57,761
Property and equipment, net	2,599	2,972
Software development costs, net	618	1,007
Intangible assets, net	7,040	8,477
Other assets	2,993	3,051
	<u>77,897</u>	<u>73,268</u>
Total assets	\$ 77,897	\$ 73,268
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 2,646	\$ 3,390
Accrued expenses	18,448	24,041
Current portion of long-term debt	1,389	2,229
Current portion of accrued restructuring costs	653	964
Deferred revenue	35,832	35,815
	<u>58,968</u>	<u>66,439</u>
Total current liabilities	58,968	66,439
Long-term portion of accrued restructuring costs	2,814	3,043
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	10,422	4,859

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Common stock	44	44
Additional paid-in capital	244,461	246,936
Less: treasury stock at cost	(125)	(87)
Less: unamortized stock compensation expense	(1,994)	(723)
Less: notes receivable from officers for issuance of restricted stock		(7,796)
Accumulated other comprehensive loss	(1,928)	(2,305)
Accumulated deficit	(234,765)	(237,142)
	<u>          </u>	<u>          </u>
Net stockholders' equity	16,115	3,786
	<u>          </u>	<u>          </u>
Total liabilities and stockholders' equity	\$ 77,897	\$ 73,268
	<u>          </u>	<u>          </u>

See accompanying notes to condensed consolidated financial statements.

## EPICOR SOFTWARE CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2003	2002
Revenues:		
License fees	\$ 7,805	\$ 8,406
Consulting	8,379	9,792
Maintenance	17,603	17,141
Other	545	645
Total revenues	34,332	35,984
Cost of revenues	13,142	15,476
Amortization of intangible assets and capitalized software development costs	1,712	1,780
Total cost of revenues	14,854	17,256
Gross profit	19,478	18,728
Operating expenses:		
Sales and marketing	8,159	10,722
Software development	4,767	4,806
General and administrative	4,674	5,745
Provision for doubtful accounts	(1,080)	173
Stock based compensation expense	276	227
Total operating expenses	16,796	21,673
Income (loss) from operations	2,682	(2,945)
Other income (expense), net	(64)	218
Income (loss) before income taxes	2,618	(2,727)
Provision for income taxes		
Net income (loss)	\$ 2,618	\$ (2,727)
Value of beneficial conversion related to preferred stock	(241)	
Net income (loss) applicable to common stockholders	\$ 2,377	\$ (2,727)
Unrealized gain (loss) on foreign currency translation adjustments	377	(98)
Comprehensive income (loss)	\$ 2,754	\$ (2,825)

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Net income (loss) per share applicable to common stockholders:		
Basic	\$ 0.06	\$ (0.06)
Diluted	\$ 0.05	\$ (0.06)
Weighted average common shares outstanding:		
Basic	43,077	43,180
Diluted	46,025	43,180

See accompanying notes to condensed consolidated financial statements.

## EPICOR SOFTWARE CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2003	2002
<b>Operating activities</b>		
Net income (loss)	\$ 2,618	\$ (2,727)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,385	2,853
Stock based compensation expense	276	227
Write-down of prepaid assets		571
Provision for doubtful accounts	(1,080)	173
Interest accrued on notes receivable from officers	(44)	(195)
Changes in operating assets and liabilities:		
Accounts receivable	2,915	6,489
Prepaid expenses and other current assets	412	490
Other assets	37	&nbs