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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

February 09, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of February 2006

MER TELEMAGEMENT SOLUTIONS LTD.
(Name of Registrant)

22 Zarhin Street, Ra'anana 43662, Israel
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information
contained in this Form, the registrant is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under the Securities
Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to
the registrant in connection with Rule 12g3-2(b): 82-_____

This Form 6-K is being incorporated by reference into the Registrant's Form F-3
Registration Statement File No. 333-128225 and Form S-8 Registration Statements
File Nos. 333-12014 and 333-123321.

MER Telemagement Solutions Ltd.

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1. Press release re MTS Reports Fourth Quarter and Fiscal Year 2005 Financial Results dated February 9, 2006.

ITEM 1

Press Release

Source: MTS - Mer Telemanagement Solutions Ltd.

MTS Reports Fourth Quarter and Fiscal Year 2005 Financial Results

Thursday February 9, 7:00 am ET

- Q4 Revenues Rise 17% Year-Over-Year; Full Year Revenues Rise 23% Year-Over-Year -

RA'ANANA, Israel, Feb. 9 /PRNewswire-FirstCall/ -- MTS - Mer Telemanagement Solutions Ltd. (Nasdaq: MTSL - News), a global provider of Business Support Systems (BSS) for comprehensive Telecommunication Management and Customer Care & Billing solutions, today reported its financial results for the fourth quarter and fiscal year ended December 31, 2005.

Revenues for the fourth quarter were \$3.0 million, compared to \$2.58 million reported in the fourth quarter of 2004, an increase of 17%.

Net loss for the quarter was \$335,000 (\$0.06 basic and diluted net loss per ordinary share), compared to a net loss of \$2.29 million (\$0.49 basic and diluted net loss per ordinary share) for the fourth quarter of 2004. The quarterly net loss continued to narrow on a sequential basis, as the Company reported a net loss of \$698,000 in the third quarter of 2005.

Eytan Bar, President and Chief Executive Officer, commented, "During 2005, MTS made significant progress in improving its fundamental position by delivering state-of-the-art products and technologies and instituting disciplined cost and expense management. We ended the year with a solid performance in the fourth quarter, demonstrating year-over-year improvement in revenues and on the bottom line.

"We continued to capitalize on opportunities in the enterprise market, and now have an installed base of more than 100 customers using our new, enhanced solutions. We also made progress in the service provider market, as the value of our late 2004 acquisition of TeleKnowledge continued to provide an effective launching pad for us to penetrate this new vertical market. Our superior and robust end-to-end solutions uniquely designed to meet service providers' needs and specifications have received positive reaction and are generating strong interest from prospects, as they prove beneficial to existing customers and channel partners.

Mr. Bar concluded, "MTS' targeted market segments -- enterprises and service providers -- continue to represent significant growth opportunities, driven in large part by our customers' need to reduce telecommunications expenses and improve efficiency. The work we did in the past year to enhance and introduce

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superior products, as well as the partner relationships we have cultivated over the years with OEMs and worldwide distributors and resellers convince us that we are well positioned to capture significant opportunities in the market."

Gross profit for the fourth quarter rose 47% to \$2.2 million, which compares to gross profit of \$1.5 million reported in the fourth quarter of 2004 and a 10% sequential improvement over the \$2.0 million reported in the third quarter of 2005. The year-over-year improvement in gross profit is the result of both the increased revenues from products and services and a decline of direct expenses.

Total operating expenses for the quarter were \$2.4 million, which represents a 33% decline year-over-year. The improvement is primarily the result of MTS' commitment to disciplined cost and expense management.

Research and development expenses rose 13% to \$953,000 compared to the \$845,000 reported in the fourth quarter of 2004, but declined 15% sequentially from the \$1.12 million reported in the third quarter 2005. The continued year-over-year increase relates primarily to MTS' continued investment in product development. R&D expenses for the fourth quarter are net of \$130,000 grants from the Israeli Office of Chief Scientist that were approved during the fourth quarter of 2005.

Selling and marketing expenses were \$916,000 in the fourth quarter, reflecting a 54% decline year-over-year, compared to \$2.0 million reported in the fourth quarter of 2004, and a 7% decline sequentially. The further reduction in selling and marketing expenses is the result of MTS' focus on investing in growth markets and targeted geographic areas, as well as the Company's ability to form partnerships with leading OEMs and vendors for various initiatives.

MTS ended the fourth quarter with a healthy, accumulated backlog of orders of approximately \$2.6 million. The backlog represents orders booked by the Company but not yet recognized as revenue through the end of 2005.

MTS' cash and cash equivalents, including marketable securities, were \$3.32 million as of December 31, 2005.

Shlomi Hagai, Corporate COO & CFO, stated, "MTS has delivered improved top line performance for the past six quarters and improved the bottom line for the past three quarters. As a result of these top-line gains, we were able to maintain our aggressive investment in new product development projects and still improve bottom line performance. The cash we raised in the third quarter will allow us to further execute our growth strategy and to fund expanding activities in R&D and sales and marketing. We expect these investments to produce increased sales and ultimately improved operating results in 2006."

Full Year 2005 Results

Revenues for the full year were \$11.56 million, compared to \$9.41 million for the full year 2004.

Net loss for the full year was \$4.2 million (\$0.83 basic and diluted net loss per ordinary share), compared to a net loss of \$4.13 million (\$0.89 basic and diluted net loss per ordinary share) for the full year 2004.

Conference Call Information

MTS will conduct a teleconference to discuss the fourth quarter and fiscal year 2005 results on, Thursday February 9, at 11:00 AM Eastern Time (18:00 Israel Time). To access the call, please dial 1-877-270-4109 from the US or Canada

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(toll free), 1-809-457-877 from Israel (toll free), or 1-706-679-0560 from other locations approximately 5-10 minutes prior to the starting time.

A replay of the call also will be available from 2:00 PM ET on Thursday, February 9, 2006, until 11:59 PM ET on Thursday, February 16. To access the replay please, dial 1-800-642-1687 from the US or Canada (toll free), 1-809-458-731 from Israel (toll free), or 1-706-645-9291 from other locations and enter conference ID #5040984.

About MTS

Mer Telemanagement Solutions Ltd. (MTS) is a global provider of business support systems for comprehensive telecommunication management and customer care & billing solutions. MTS' business support system is a full-featured customized solution for telecommunications management, Interconnect and customer care & billing. Its telecommunications expense management solution is used by corporations and organizations to improve the efficiency and performance of all telecommunication and information technology operations, and to significantly reduce associated costs. Its service providers and carriers solutions are used to support sophisticated billing, web-based self-provisioning, partners management and interconnect billing.

Headquartered in Israel, MTS markets through wholly owned subsidiaries in the United States, Hong Kong, Holland, and Brazil, and through OEM partnerships with Siemens, Phillips, NEC and other vendors. MTS' shares are traded on the NASDAQ Capital Market (symbol MTSL). For more information please visit the MTS web site: <http://www.mtsint.com>

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to, risks in product development plans and schedules, rapid technological change, changes and delays in product approval and introduction, customer acceptance of new products, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, proprietary rights of the Company and its competitors, risk of operations in Israel, government regulations, dependence on third parties to manufacture products, general economic conditions and other risk factors detailed in the Company's filings with the United States Securities and Exchange Commission.

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Mer Telemanagement Solutions Ltd. and Its Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS U.S. dollars in thousands (except share and per share data)

	Three months ended		Year ended	
	December 31,		December 31,	
	2005	2004	2005	2004
	Unaudited		Audited	
Revenues from products and services	\$3,012	\$2,577	\$11,563	\$9,413
Cost of revenues from products and services	848	1,093	3,802	2,814

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Gross profit	2,164	1,484	7,761	6,599
Operating expenses:				
Research and development, net	953	845	4,395	2,362
Selling and marketing	916	2,016	4,797	6,300
General and administrative	520	682	2,830	2,101
Total operating expenses	2,389	3,543	12,022	10,763
Operating loss	(225)	(2,059)	(4,261)	(4,164)
Financial income (expenses), net	(49)	32	(28)	78
Other income (expenses), net	6	15	81	-
Loss before taxes on income	(268)	(2,012)	(4,208)	(4,086)
Taxes on income	10	263	10	266
	(278)	(2,275)	(4,218)	(4,352)
Equity in earnings of affiliate	(57)	(10)	2	225
Net loss	(\$335)	(\$2,285)	(\$4,216)	(\$4,127)
Net loss per share:				
Basic and diluted net loss per Ordinary share	(\$0.06)	(\$0.49)	(\$0.83)	(\$0.89)
Weighted average number of Ordinary shares used in computing basic and dilute loss per share	5,724,504	4,638,004	5,092,117	4,634,413

Mer Telemanagement Solutions Ltd. and Its Subsidiaries
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands

	December 31	
	2005	2004
	Audited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$3,191	\$3,814
Marketable securities	132	1,057
Trade receivables (net of allowance for doubtful accounts of \$370 and \$402 at December 31, 2004 and 2005, respectively)	1,999	1,348
Other accounts receivable and prepaid expenses	491	391
Inventories	181	178
Total current assets	5,994	6,788
LONG-TERM INVESTMENTS:		

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Investment in an affiliate	1,615	2,119
Long-term loans, net of current maturities	3	45
Severance pay fund	478	535
Other investments	347	373
 Total long-term investments	 2,443	 3,072
 PROPERTY AND EQUIPMENT, NET	 571	 581
 OTHER ASSETS:		
Goodwill	3,700	3,415
Other intangible assets, net	993	1,394
Deferred income taxes	115	73
 Total other assets	 4,808	 4,882
 Total assets	 \$13,816	 \$15,323

Mer Telemanagement Solutions Ltd. and Its Subsidiaries
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share and per share data)

		December 31
	2005	2004
		Audited
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short term bank credit	\$ 47	\$ -
Trade payables	735	719
Accrued expenses and other liabilities	2,259	2,042
Deferred revenues	888	1,254
 Total current liabilities	 3,929	 4,015
LONG-TERM LIABILITIES:		
Accrued severance pay	713	651
 Total long-term liabilities	 713	 651
SHAREHOLDERS' EQUITY:		
Share capital -		
Ordinary shares of NIS 0.01 par value		
- Authorized: 12,000,000 shares at		
December 31, 2004 and 2005; Issued:		
4,648,804 and 5,744,304 shares at		
December 31, 2004 and 2005,		
respectively; Outstanding: 4,638,004		
and 5,733,504 shares at December 31,		
2004 and 2005, respectively		
	17	14
Additional paid-in capital	15,966	12,879
Treasury shares (10,800 and 10,800		
shares at December 31, 2004 and		
2005, respectively)	(29)	(29)
Deferred stock compensation	(142)	(208)

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Accumulated other comprehensive income (loss)	(75)	348
Accumulated deficit	(6,563)	(2,347)
Total shareholders' equity	9,174	10,657
Total liabilities and shareholders' equity	\$13,816	\$15,323

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MER TELEMAGEMENT SOLUTIONS LTD.
(Registrant)

By: /s/Eytan Bar

Eytan Bar
President and
Chief Executive Officer

Date: February 9, 2006