

EMTEC INC/NJ
Form 10-Q
July 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 May 31, 2012

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: 0-32789

EMTEC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

87-0273300
(I.R.S. Employer Identification No.)

11 Diamond Road
Springfield, New Jersey 07081
(Address of principal executive offices, including zip code)

(973) 376-4242
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 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

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. (Check one)

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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 July 9, 2012, there were outstanding 17,616,437 shares of the registrant's common stock.

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EMTEC, INC.
FORM 10-Q FOR THE QUARTER ENDED MAY 31, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

EMTEC, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 (In Thousands, Except per Share and Share Data)

| | May 31, 2012 (Unaudited) | August 31, 2011 |
|--|-----------------------------|--------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$1,982 | \$4,039 |
| Receivables: | | |
| Trade, net of allowance for doubtful accounts | 27,944 | 31,196 |
| Other | 730 | 2,223 |
| Inventories, net | 1,249 | 1,339 |
| Prepaid expenses and other | 3,298 | 3,440 |
| Deferred tax asset - current | 1,244 | 1,142 |
| Total current assets | 36,447 | 43,379 |
| Property and equipment, net | 3,807 | 4,284 |
| Intangible assets, net | 15,504 | 18,406 |
| Goodwill | 18,470 | 18,609 |
| Deferred tax asset- long term | 916 | 839 |
| Other assets | 1,751 | 1,090 |
| Total assets | \$76,895 | \$86,607 |
| Liabilities, Put Options and Stockholders' Equity | | |
| Current Liabilities | | |
| Line of credit | \$13,709 | \$17,222 |
| Current portion of capital lease obligation | 81 | 245 |
| Accounts payable | 16,030 | 17,847 |
| Income taxes payable | 241 | 310 |
| Accrued liabilities | 9,592 | 12,095 |
| Due to former stockholders of acquired companies | - | 727 |
| Customer deposits | - | 34 |
| Current portion earn-out liabilities | 1,470 | 1,616 |
| Deferred revenue | 1,933 | 2,113 |
| Total current liabilities | 43,056 | 52,209 |
| Deferred tax liability | 2,555 | 3,752 |
| Earn-out liabilities, net of current portion | 3,228 | 3,148 |
| Warrant liabilities | 2,279 | 1,452 |
| Put option and restricted stock liability in connection with acquisition of Dinero | 196 | 98 |
| Capital lease obligation, net of current portion | 189 | 189 |
| Subordinated debt, net of original issue discount | 12,527 | 9,520 |

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| | | |
|--|-----------------|-----------------|
| Accrued liabilities | 169 | 163 |
| Total liabilities | 64,199 | 70,531 |
| Commitments and contingencies (Note 13) | | |
| Put options in connection with SDI, Covelix and Emerging acquisitions | 2,166 | 2,166 |
| Stockholders' Equity | | |
| Common stock \$0.01 par value; 30,000,000 shares authorized; 17,616,437 and 17,619,813 shares issued and outstanding at May 31, 2012 and August 31, 2011, respectively | 176 | 177 |
| Additional paid-in capital | 16,824 | 16,589 |
| Accumulated deficit | (6,303) | (3,093) |
| Accumulated other comprehensive income (loss) | (167) | 237 |
| Total stockholders' equity | 10,530 | 13,910 |
| Total liabilities, put options and stockholders' equity | \$76,895 | \$86,607 |

The Accompanying Notes are Integral Parts of these Consolidated Financial Statements.

EMTEC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In Thousands, Except per Share and Share Data)

| | Three Months Ended May 31, | | Nine Months Ended May 31, | |
|----------|----------------------------|------|---------------------------|------|
| | 2012 | 2011 | 2012 | 2011 |
| Revenues | | | | |