

MULTIMEDIA GAMES HOLDING COMPANY, INC.
Form 10-Q
January 30, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 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: 000-28318

Multimedia Games Holding Company, Inc.
(Exact name of Registrant as specified in its charter)

Texas
(State or other jurisdiction of incorporation or organization)

74-2611034
(IRS Employer Identification No.)

206 Wild Basin Road South, Building B
Austin, Texas
(Address of principal executive offices)

78746
(Zip Code)

(512) 334-7500
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 (Section 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:

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 January 24, 2013, there were 28,273,630 shares of the Registrant's common stock, par value \$0.01 per share, outstanding.

FORWARD LOOKING STATEMENTS

Multimedia Games Holding Company, Inc. and its subsidiaries (referred to as the "Company," "we," "us," "our" or "Multimedia Games") has made forward-looking statements in this Quarterly Report on Form 10-Q that are subject to risks and uncertainties. Such forward-looking statements include, but are not limited to, statements regarding future actions, operating results, liquidity, capital expenditures, cash management and financial discipline, product, system and platform development and enhancements, customer and strategic relationships with third parties, strategies, initiatives, legal and regulatory uncertainties, including outcomes of litigation, the effects of such outcomes upon our business, changes in existing laws and regulations or in the interpretation of such laws and regulations, entry into new markets or jurisdictions or the obtaining of new licenses. The forward-looking statements may be preceded by, followed by or include the words "may," "might," "will," "plan," "estimate," "expect," "intend," "believe," "should," "would," "could," "anticipate," "continue," or the negative or other thereof or comparable terminology that convey the uncertainty of future events or outcomes. All forward-looking statements are based on current expectations and projections of future events. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. You should understand that the factors discussed in Item 1A "Risk Factors" of Part II of this Report could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in the forward-looking statements. Actual results could differ materially from those stated or implied by our forward-looking statements, due to risks and uncertainties associated with our business or under different assumptions or conditions. You should not place undue reliance on any of these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I

FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

MULTIMEDIA GAMES HOLDING COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

As of December 31, 2012 and September 30, 2012

(In thousands, except shares)

(Unaudited)

	December 31, 2012	September 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$73,295	\$73,755
Accounts receivable, net of allowance for doubtful accounts of \$303 and \$266, respectively	23,895	17,503
Inventory	8,105	7,083
Current portion of notes receivable, net	5,904	8,024
Deferred tax asset	8,248	8,248
Prepaid expenses and other	5,032	6,837
Total current assets	124,479	121,450
Property and equipment and leased gaming equipment, net	63,912	57,924
Notes receivable - non-current	5,217	733
Intangible assets, net	36,738	37,664
Value added tax receivable, net of allowance of \$714 and \$722, respectively	2,728	3,511
Deferred tax asset - non current	2,235	2,418
Other assets	2,140	2,275
Total assets	\$237,449	\$225,975
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$3,700	\$3,700
Accounts payable and accrued liabilities	33,488	30,192
Federal and state income tax payable	849	—
Deferred revenue	268	483
Total current liabilities	38,305	34,375
Long-term debt, less current portion	28,675	29,600
Long term deferred tax liability	6,320	6,320
Other long-term liabilities	555	660
Total liabilities	73,855	70,955
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock: Series A, \$0.01 par value, 1,800,000 shares authorized, no shares issued and outstanding	—	—
Series B, \$0.01 par value, 200,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 75,000,000 shares authorized, 36,595,010 and 36,296,027 shares issued, and 28,337,541 and 28,183,549 shares outstanding, respectively	366	363
Additional paid-in capital	110,905	107,751

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Treasury stock, 8,257,469 and 8,112,478 common shares at cost, respectively	(64,073) (62,048)
Retained earnings	116,396	109,283	
Accumulated other comprehensive loss, net	—	(329)
Total stockholders' equity	163,594	155,020	
Total liabilities and stockholders' equity	\$237,449	\$225,975	

The accompanying notes are an integral part of the condensed consolidated financial statements.

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MULTIMEDIA GAMES HOLDING COMPANY, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 AND OTHER COMPREHENSIVE INCOME

For the Three Months Ended December 31, 2012 and 2011

(In thousands, except per share data)

(Unaudited)

	Three Months Ended December 31,	
	2012	2011
REVENUES:		
Gaming operations	\$29,974	\$24,901
Gaming equipment and system sales	14,004	9,593
Other	324	301
Total revenues	44,302	34,795
OPERATING COSTS AND EXPENSES:		
Cost of gaming operations revenue ⁽¹⁾	3,186	2,926
Cost of equipment and system sales	6,185	4,158
Selling, general and administrative expenses	11,343	10,748
Research and development	4,181	3,478
Amortization and depreciation	7,964	9,690
Total operating costs and expenses	32,859	31,000
Operating income	11,443	3,795
OTHER INCOME (EXPENSE):		
Interest income	170	453
Interest expense	(296)	(372)
Other Income	10	919
Income before income taxes	11,327	4,795
Income tax benefit (expense)	(4,214))987
Net income	\$7,113	\$5,782
Basic income per common share	\$0.25	\$0.21
Diluted income per common share	\$0.24	\$0.21
Other comprehensive income:		
Foreign Currency translation adjustments	329	(151)
Comprehensive income	\$7,442	\$5,631
Shares used in net income per common share:		
Basic	28,330	