

MIND CTI LTD
Form 6-K
July 20, 2004

MIND CTI Reports \$1.6 Million Net Income for Q2 2004
MIND Exceeds Guidance on Second Quarter EPS
8th Consecutive Profitable Quarter Driven by MIND's Unique Business Model
Operating Income Margin of 17%

Key Highlights

- Revenues were \$4.3 million, a 39% increase over the second quarter of 2003.
- Net income of \$0.07 per diluted share, exceeding guidance of \$0.06.
- Sequential quarterly revenue growth of 8 %.
- 9th consecutive quarter of revenue growth and improved profitability of operations.
- Four new customers and three major customer upgrades around the world.
- Third quarter 2004 guidance: Expected revenue of around \$4.6 million and fully diluted EPS of \$0.07.

Yoqneam, Israel, July 19, 2004 - MIND C.T.I. LTD. (NASDAQ: MNDO), a leading global provider of real-time mediation, provisioning, rating, billing and customer care solutions for pre-paid and post-paid voice, data and video, today announced results for the second quarter ended June 30, 2004.

Monica Eisinger, President and CEO, commented: "Once again we continue to execute our trend of improved results, by growing both revenues and operating income. Over the last three quarters we have improved operating margins from 12, to 15 and 17 percent respectively. We believe that this accelerates our plan to reach over 20% operating margins in the long term. Our second quarter results reflect mainly our customers' confidence in our solutions and the focused sales efforts in Europe. The IP infrastructure acceptance and our reputation of providing stable, scalable and easy-to-implement solutions for mediation, provisioning and billing for this space help us expand our revenue. In order to address future needs of both existing customers and new opportunities and in order to better support our growing customer base, we continue to enhance both our product offering and our work force. We are in a continuous process of increasing our employee force that is expected to reach over 250 people by the end of the year. MIND is a reputable niche player in a huge space, the billing world, and we expect to persevere in gaining market share."

As of June 30, 2004, we had 217 employees in our offices in Israel, Romania, the United States and China.

Financial Highlights of Q2 2004

- Revenues were \$4.3 million, a 39% increase over the second quarter of 2003.
- Operating income was \$753 thousand, a 184 % increase over the second quarter of 2003 and interest income was \$863 thousand.
- Net income was \$1.59 million or \$0.07 per diluted share, compared with a net income of \$806 thousand or \$0.04 per share in the second quarter of 2003.
- Net cash position increased by \$1.9 million to \$46 million on June 30, 2004.

Sales Highlights

During the second quarter, our bookings included four new customer wins, as well as three major license upgrades:

- MIND was chosen by a communications provider in Asia to migrate its VoIP subscribers onto the MIND billing solution, thanks to the proven robustness and convergence of our solution.
- Our focus on cooperating with system integrators helped us win a new customer in Europe.
- MIND was chosen by two additional new carriers in Turkey to support their plan to offer national and international long distance calls services, following the deregulation of Turkey's telecom market.
- We have been awarded three solution upgrades; one major expansion in the scope of license and services at a European customer, and two license upgrades, one in Europe and one in Africa.

Revenue Distribution for Q2 2004

Revenue from our customer care and billing software totaled \$3.73 million, while revenue from our enterprise call management software was \$588 thousand. The revenue breakdown from our business lines of products was \$2.8 million, or 65%, from licenses, \$1.1 million, or 26%, from maintenance and \$382 thousand, or 9%, from services.

Conference Call Information

MIND will host a conference call on July 20, at 8:30 a.m., Eastern Standard Time, to discuss the Company's second quarter and 2004 results and other financial and business information. 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 is a leading global provider of real-time mediation, rating, billing and customer care solutions for pre-paid and post-paid voice, data and content. Our customers include worldwide leading carriers servicing millions of subscribers, using our end-to-end solutions for the deployment of new services. MIND operates from offices in Europe, the United States, China and Israeli headquarters.

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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MIND C.T.I. LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30	December 31,	
	2004	2003	2003
	(Unaudited)	(Audited)	
	U.S. \$ in thousands		
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	\$8,181	\$8,305	\$4,391
Accounts receivable:			
Trade	2,351	1,628	2,181
Interest accrued on long-term bank deposits	483	(a) 367	(a) 482
Other	827	797	864
Inventories	11	14	11
T o t a l current assets	11,853	11,111	7,929
LONG-TERM BANK DEPOSITS	47,400	(a) 37,000	(a) 40,000
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	1,623	1,301	1,182
OTHER ASSETS, net of accumulated amortization	804	938	868
T o t a l assets	\$61,680	\$50,350	\$49,979
Liabilities and shareholders' equity			
CURRENT LIABILITIES -			
Accounts payable and accruals:			
Trade	\$1,321	\$585	\$718
Other	3,443	2,711	2,723
T o t a l current liabilities	4,764	3,296	3,441
BANK LOANS	10,000		
EMPLOYEE RIGHTS UPON RETIREMENT	1,061	933	998
T o t a l liabilities	15,825	4,229	4,439
SHAREHOLDERS' EQUITY:			
Share capital	53	52	53
Additional paid-in capital	58,634	61,090	58,514
Accumulated deficit	(12,832)	(15,021)	(13,027)
T o t a l shareholders' equity	45,855	46,121	45,540
T o t a l liabilities and shareholders' equity	\$61,680	\$50,350	\$49,979

(a) Reclassified.

MIND C.T.I. LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Year

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	Six months ended June 30		Three months ended June 30		Year ended December 31, 2003
	2004	2003	2004	2003	2003
	(Unaudited)		(Unaudited)		(Audited)
	U.S. \$ in thousands (except per share data)				
REVENUES	\$8,324	\$5,931	\$4,319	\$3,107	\$12,936
COST OF REVENUES	2,087	1,454	1,086	780	3,208
GROSS PROFIT	6,237	4,477	3,233	2,327	9,728
RESEARCH AND DEVELOPMENT EXPENSES - net	1,846	1,582	895	805	3,319
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:					
Selling	2,330	1,878	1,213	966	4,065
General and administrative	706	557	372	291	1,149
OPERATING INCOME	1,355	460	753	265	1,195
FINANCIAL AND OTHER INCOME - net	1,653	1,251	863	571	2,607
INCOME BEFORE TAXES ON INCOME	3,008	1,711	1,616	836	3,802
TAXES ON INCOME	77	72	26	30	169
NET INCOME	\$2,931	\$1,639	\$1,590	\$806	\$3,633
EARNING PER SHARE:					
Basic	\$0.14	\$0.08	\$0.08	\$0.04	\$0.18
Diluted	\$0.14	\$0.08	\$0.07	\$0.04	\$0.17
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES USED IN COMPUTATION OF EARNINGS PER ORDINARY SHARE - IN THOUSANDS:					
Basic	21,040	20,686	21,064	20,686	20,732
Diluted	21,538	20,881	21,535	20,881	21,143

MIND C.T.I. LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30		Three months ended June 30		Year ended December 31, 2003
	2004	2003	2004	2003	2003
	(Unaudited)		(Unaudited)		(Audited)
	U.S. \$ in thousands				
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Income	\$2,931	\$1,639	\$1,590	\$806	\$3,633
Adjustments to reconcile net income to net cash provided					

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by or used in operating activities:					
Depreciation and amortization	348	418	161	202	806
Accrued severance pay - net	57	124	40	92	189
Capital loss (gain) on sale of property and equipment - net	6	(4)		2	(35)
Changes in operating asset and liability items:					
Decrease (increase) in accounts receivable:					
Trade	(170)	398	(391)	(106)	(155)
Interest accrued on long-term bank deposits	(1)	1,264	744	(367)	1,149
Other	37	(139)	68	126	(206)
Decrease in Inventories					3
Increase (decrease) in accounts payable and accruals:					
Trade	603	417	791	334	551
Other	720	203	(160)	(220)	214

Net cash provided by operating activities	4,531	4,320	2,843	869	6,149

CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(702)	(292)	(232)	(146)	(499)
Amounts funded in respect of accrued severance pay	(30)	(75)	(24)	(55)	(105)
Investments in long-term bank deposits	(10,400)	(37,000)	(10,400)	(37,000)	(77,000)
Withdrawal of long-term bank deposits	3,000	30,000			67,000
Proceeds from sale of property and equipment	7	40	6	11	109

Net cash used in investing activities	(8,125)	(7,327)	(10,650)	(37,190)	(10,495)

CASH FLOWS FROM FINANCING ACTIVITIES:					
Bank loans received	10,000		10,000		
Employee stock options exercised and paid	120		43		354
Dividend paid	(2,736)				(2,929)

Net cash provided by (used in) financing activities	7,384		10,043		(2,575)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,790	(3,007)	2,236	(36,321)	(6,921)
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,391	11,312	5,945	44,626	11,312

BALANCE OF CASH AND CASH					

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EQUIVALENTS AT END OF PERIOD \$8,181 \$8,305 \$8,181 \$8,305 \$4,391
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