

Edgar Filing: KRONOS INC - Form 8-K

KRONOS INC  
Form 8-K  
April 24, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 24, 2003

KRONOS INCORPORATED  
(Exact name of registrant as specified in its charter)

0-20109  
(Commission file number)

Massachusetts  
(State or other jurisdiction of  
incorporation)

04-2640942  
(I.R.S. Employer  
Identification Number)

297 Billerica Road  
Chelmsford, MA 01824  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (978) 250-9800

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired

Not Applicable

(b) Pro Forma Financial Information

Not Applicable

(c) Exhibits

Exhibit No.	Description
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99.1	Press release of Kronos Incorporated, dated April 24, 2003
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ITEM 9. REGULATION FD DISCLOSURE

ITEM 9. Regulation FD Disclosure (Information furnished pursuant to Item 12,  
"Disclosure of Results of Operations and Financial Condition").

On April 24, 2003, Kronos Incorporated announced its financial results for  
the second quarter ended March 29, 2003. The full text of the press release

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issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with the procedural guidance in SEC Release No. 33-8216, the information in this Form 8-K and the Exhibit attached hereto is being furnished under "Item 9. Regulation FD Disclosure" rather than under "Item 12. Disclosure of Results of Operations and Financial Condition." The information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

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 hereunto duly authorized.

Date: April 24, 2003

KRONOS INCORPORATED

By: /s/ Paul A. Lacy

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Paul A. Lacy  
Executive Vice President, Chief Financial  
and Administrative Officer  
(Duly Authorized Officer and Principal  
Financial Officer)

EXHIBIT INDEX

Exhibit No. -----	Description -----
99.1	Press release of Kronos Incorporated, dated April 24, 2003
----- Exhibit 99.1	

For Immediate Release

Kronos Contact: Paul Lacy  
(978) 947-4944  
placy@kronos.com

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Kronos(R) REPORTS RESULTS FOR SECOND QUARTER OF FISCAL 2003

CHELMSFORD, Mass., April 24, 2003 - Kronos(R) Incorporated (Nasdaq: KRON), today reported that net income for the second quarter of Fiscal 2003 rose 26 percent to \$7.3 million, or \$.35 per diluted share, as compared to \$5.8 million, or \$.28 per diluted share, for the same period a year ago. Revenue for the second quarter rose 21 percent to \$96.5 million as compared to \$79.9 million for the same period a year ago.

For the six-month period, net income rose 20 percent to \$14.3 million, as compared to \$12.0 million for the same period last year. For the six-month period, revenue rose 19 percent to \$186.2 million as compared to \$156.1 million for the first six months of the prior year.

"We are thrilled to report very strong second quarter profits and revenue growth," said Mark S. Ain, Kronos' chief executive officer. "Despite the weak economy, leaders across a broad spectrum of industries continue to look to Kronos' Employee Relationship Management solutions to reduce costs and boost productivity. We experienced strength across the board as organizations realize that we can help them better address their employee-centric business challenges."

This marks Kronos' 93rd consecutive quarter of revenue growth compared to the same period in the previous year, and 64th consecutive quarter of profitability (Note 1). Kronos' balance sheet remains strong, with \$94.0 million in cash and investments and no debt. Total deferred maintenance, professional services and product revenue at the end of the quarter was \$118.4 million. Cash flow from operations was \$26.4 million for the quarter compared to \$22.4 million for the same period last year. For the six-month period, cash flow from operations was \$40.1 million compared to \$34.5 million for the same period last year. Days sales outstanding (DSO) for accounts receivable was 62 days at the end of the quarter.

(more)

With regard to Kronos' financial results, Ain remarked, "Kronos is still growing while others have seen their revenues decline. Of our 21 percent top line growth, 19 percentage points represented organic growth while two percentage points came from acquisitions. We recorded an impressive 30 percent growth in product revenue and 14 percent growth in service revenue despite the challenging economic environment."

"Kronos' year-ago decision to broaden our capabilities beyond time and labor to include HR and payroll applications has enabled us to leverage our brand and established market position," continued Ain. "Contracts for our HR and payroll solutions are ramping up. We're pleased to announce that 19 more companies purchased our HR and payroll applications during the quarter. Our HRMS prospect base has been growing each quarter, and we believe we now have sufficient accounts in our pipeline to realize our HRMS target for the fiscal year. We never doubted that our solutions would take hold in the market."

### Customer Wins

"We have done much more than retain our title as the leader in time and labor solutions," continued Ain. "By offering a more comprehensive suite of Employee Relationship Management solutions, we are rewriting the notions of how

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organizations gain control of their employee-centric business challenges."

New customers that turned to Kronos during the quarter included Bally's Total Fitness, Beringer Blass Wine Estates, DHL Worldwide Express, Fairview Health Services, Inn of the Mountain Gods Resort and Casino, Orange County Corrections, Riverside Medical Center, See's Candies, Varco-Pruden Buildings Inc., Wild Oats Markets, and others.

Existing customers that purchased upgrades or continued to invest in their product rollout during the quarter included Alegent Health, Dean Foods, DST Systems, Elmhurst Memorial Hospital, Ergon Incorporated, Foster Farms, Goodyear Tire & Rubber, Greater Lafayette Health Services Inc., Landis Plastics, Shaw Industries, State of Colorado, Unisys - the Transportation Security Administration's prime contractor for information technology, Walgreens, Wishard Health Services, and others.

### Outlook

"We are thrilled with our performance during the first half of the year and confident that we are on track to achieve our goals for Fiscal 2003," Ain added, "Assuming that the economic malaise continues but does not worsen, we expect to report third quarter revenue in the range of \$97-100 million and earnings in the range of \$.36-.42 per share. We expect to report Fiscal 2003 revenue in the range of \$381-387 million and earnings in the range of \$1.60-1.66 per share."

(more)

### Conference Call Webcast

Kronos senior management plans to review its second-quarter results during a conference call today beginning at 4:30 p.m. Eastern. The conference call will be webcast live at <http://www.kronos.com/invest> and will be available for replay purposes.

### About Kronos Incorporated

Kronos Incorporated is a single-source provider of human resources, payroll, scheduling, and time and labor solutions. Kronos' best-in-class Employee Relationship Management solution enables organizations to reduce costs and boost productivity, improve employee satisfaction, align employee performance with organizational objectives, and put real-time information in the hands of decision makers. More than 40,000 organizations trust Kronos to solve their employee-centric business challenges. Learn more at [www.kronos.com](http://www.kronos.com).

### Safe Harbor Statement

This press release contains forward-looking statements that involve a number of risks and uncertainties, including the performance estimates and statements relating to earnings and revenue growth, the ability to close potential product sales transactions, the ability to realize revenues from the sales pipeline, the market acceptance of our new products, our ability to monitor and manage discretionary costs, growth in the market for our products and within the economy generally, and potential acquisitions. Among the important factors that could cause actual operating results to differ materially from those indicated by such forward-looking statements are delays in product development, including enhancements to existing products, product performance issues, competitive pressures, general economic conditions, possible disruption in commercial activities caused by terrorist activity and armed conflict, such as changes in logistics and security arrangement and the risk factors detailed in the company's periodic reports and registration statements filed with the Securities

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and Exchange Commission. The timing of the release of new products or product enhancements will take place if and when available and at the sole discretion of Kronos.

Note 1: Excluding a one-time special charge in the second quarter of Fiscal 2001.

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KRONOS INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except share and per share amounts)  
UNAUDITED

	Three Months Ended		
	March 29, 2003	March 30, 2002	M
Net revenues:			
Product .....	\$ 44,143	\$ 33,979	\$
Maintenance .....	29,666	26,953	
Professional services .....	22,672	19,002	
	96,481	79,934	
Cost of sales:			
Costs of product .....	10,929	8,396	
Costs of maintenance and professional services .....	27,627	22,930	
	38,556	31,326	
Gross profit .....	57,925	48,608	
Operating expenses and other income:			
Sales and marketing .....	31,369	26,058	
Engineering, research and development .....	9,552	9,251	
General and administrative .....	6,390	5,075	
Amortization of intangible assets .....	789	724	
Other income, net .....	(1,522)	(1,314)	
	46,578	39,794	
Income before income taxes .....	11,347	8,814	
Provision for income taxes .....	4,085	3,041	
Net income .....	\$ 7,262	\$ 5,773	\$

Net income per common share:

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Basic .....	\$ 0.37	\$ 0.29	\$
	=====	=====	=====
Diluted .....	\$ 0.35	\$ 0.28	\$
	=====	=====	=====
Weighted-average common shares outstanding:			
Basic .....	19,853,535	19,760,008	1
	=====	=====	=====
Diluted .....	20,555,609	20,765,450	2
	=====	=====	=====

KRONOS INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share amounts)  
UNAUDITED

		March 29, 2003	S
		-----	-----
ASSETS			
Current assets:			
Cash and equivalents .....	\$	56,466	
Marketable securities .....		12,207	
Accounts receivable, less allowances of \$8,014 .....		71,716	
at March 29, 2003 and \$9,697 at September 30, 2002			
Deferred income taxes .....		7,397	
Other current assets .....		18,960	
		-----	
Total current assets .....		166,746	
Property, plant and equipment, net .....		39,537	
Marketable securities .....		25,347	
Intangible assets .....		25,202	
Goodwill .....		65,758	
Capitalized software, net .....		22,434	
Other assets .....		10,905	
		-----	
Total assets .....	\$	355,929	
		=====	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable .....	\$	7,692	
Accrued compensation .....		28,546	
Accrued expenses and other current liabilities .....		12,105	
Deferred professional service revenues .....		33,953	
Deferred maintenance revenues .....		71,555	
Deferred product revenues .....		5,620	
		-----	
Total current liabilities .....		159,471	
Deferred maintenance revenues .....		7,317	
Other liabilities .....		9,889	

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Shareholders' equity:

Preferred Stock, par value \$1.00 per share: authorized 1,000,000 shares, no shares issued and outstanding .....	--
Common Stock, par value \$.01 per share: authorized 50,000,000 shares, 19,919,288 and 19,911,952 shares issued at March 29, 2003 and September 30, 2002, respectively .....	199
Additional paid-in capital .....	26,743
Retained earnings .....	157,486
Cost of Treasury Stock (113,709 shares and 366,062 shares at March 29, 2003 and September 30, 2002, respectively) .....	(4,187)
Accumulated other comprehensive loss:	
Foreign currency translation .....	(912)
Net unrealized gain/(loss) on available-for-sale investments .....	(77)
	-----
	(989)
 Total shareholders' equity .....	 179,252
	-----
Total liabilities and shareholders' equity .....	\$ 355,929
	=====