

APAC CUSTOMER SERVICE INC

Form 10-Q

August 10, 2005

**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 July 3, 2005

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 0-26786

### APAC Customer Services, Inc.

(Exact name of registrant as specified in its charter)

**Illinois**  
(State or other jurisdiction  
of incorporation or organization)

**36-2777140**  
(I.R.S. Employer  
Identification No.)

**Six Parkway North, Deerfield, Illinois 60015**

(Address of Principal Executive Offices, Zip Code)

Registrant's telephone number, including area code: **(847) 374-4980**

Indicate by check mark whether 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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Edgar Filing: APAC CUSTOMER SERVICE INC - Form 10-Q

Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act).

Yes  No

There were 49,454,654 common shares, \$0.01 par value per share, outstanding as of August 10, 2005.

---

**Index**

**Part I. Financial Information**

Item 1. Consolidated Condensed Financial Statements (Unaudited):

Consolidated Condensed Balance Sheets as of July 3, 2005, and January 2, 2005

Consolidated Condensed Statements of Operations for the Thirteen and Twenty-Six Weeks Ended July 3, 2005, and June 27, 2004

Consolidated Condensed Statements of Cash Flows for the Twenty-Six Weeks Ended July 3, 2005, and June 27, 2004

Notes to Consolidated Condensed Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

**Part II. Other Information**

Item 1. Legal Proceedings

Item 4. Submission of Matters to a vote of Security Holders

Item 6. Exhibits

**Part I. Financial Information**



**Item 1. Consolidated Condensed Financial Statements**







Edgar Filing: APAC CUSTOMER SERVICE INC - Form 10-Q

Consolidated Condensed Balance Sheets

(Unaudited)

(In thousands, except per share data)

	July 3, 2005	January 2, 2005
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 865	\$ 271
Accounts receivable, net	32,146	41,002
Other current assets	10,280	11,253
Total current assets	43,291	52,526
<b>Property and equipment, net</b>	<b>24,722</b>	<b>24,214</b>
<b>Goodwill</b>	<b>23,876</b>	<b>23,876</b>
<b>Other intangible assets, net</b>	<b>11,515</b>	<b>12,688</b>
<b>Deferred taxes</b>	<b>11,087</b>	<b>5,748</b>
<b>Other assets</b>	<b>625</b>	<b>481</b>
Total assets	\$ 115,116	\$ 119,533
<b>Liabilities and Shareholders Equity</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 4,988	\$ 313
Accounts payable	3,034	3,544
Income taxes payable	17,253	16,629
Accrued payroll and related items	13,305	15,048
Accrued liabilities	8,525	8,481
Total current liabilities	47,105	44,015
<b>Long-term debt, less current maturities</b>		
<b>Other liabilities</b>	<b>1,221</b>	<b>1,355</b>
<b>Commitments and contingencies</b>		
<b>Shareholders equity</b>		
Common shares, \$0.01 par value; 200,000,000 shares authorized; 49,695,699 shares issued at July 3, 2005, and January 2, 2005	497	497
Additional paid-in capital	99,598	99,598
Accumulated deficit	(32,307)	(24,912)
Accumulated other comprehensive loss	(151)	(173)
Treasury shares: 241,045 shares, at cost at July 3, 2005, and January 2, 2005	(847)	(847)
Total shareholders equity	66,790	74,163
Total liabilities and shareholders equity	\$ 115,116	\$ 119,533

See notes to consolidated condensed financial statements

**APAC Customer Services, Inc. and Subsidiaries**

**Consolidated Condensed Statements of Operations**

**(Unaudited)**

**(In thousands, except share data)**

	<b>Thirteen Weeks Ended</b>		<b>Twenty-Six Weeks Ended</b>	
	<b>July 3, 2005</b>	<b>June 27, 2004</b>	<b>July 3, 2005</b>	<b>June 27, 2004</b>
<b>Net revenue</b>	\$ 58,159	\$ 68,006	\$ 123,833	\$ 139,410
Cost of services	55,335	58,496	114,309	118,626
<b>Gross Profit</b>	2,824	9,510	9,524	20,784

**Operating expenses:**