

BALLY TECHNOLOGIES, INC.

Form 10-Q

November 06, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

- o 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 001-31558

BALLY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

88-0104066

(I.R.S. Employer Identification No.)

6601 S. Bermuda Rd.

Las Vegas, Nevada 89119

(Address of principal executive offices)

(702) 584-7700

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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
(do not check if a smaller reporting company)

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

The number of shares of Common Stock, \$0.10 par value, outstanding as of October 31, 2012, was 41,025,000 which do not include 22,587,000 shares held in treasury.

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Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS****BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2012	June 30, 2012
	(in 000s, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 55,811	\$ 32,673
Restricted cash	12,827	13,645
Accounts and notes receivable, net of allowances for doubtful accounts of \$16,674 and \$14,073	274,081	264,842
Inventories	70,960	75,066
Prepaid and refundable income tax	14,035	13,755
Deferred income tax assets	41,695	42,822
Deferred cost of revenue	20,319	17,615
Prepaid assets	16,477	13,061
Other current assets	3,491	6,980
Total current assets	509,696	480,459
Restricted long-term investments	10,887	12,171
Long-term accounts and notes receivables, net of allowances for doubtful accounts of \$3,695 and \$3,029	45,348	55,786
Property, plant and equipment, net of accumulated depreciation of \$57,949 and \$58,823	32,763	30,667
Leased gaming equipment, net of accumulated depreciation of \$192,556 and \$185,846	124,912	121,151
Goodwill	172,095	171,971
Intangible assets, net	37,046	39,166
Deferred income tax assets	7,892	7,409
Income tax receivable	12,041	12,041
Deferred cost of revenue	14,627	16,542
Other assets, net	22,083	23,104
Total assets	\$ 989,390	\$ 970,467
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 33,549	\$ 41,414
Accrued and other liabilities	83,720	85,310
Jackpot liabilities	9,248	11,682
Deferred revenue	54,560	46,314
Income tax payable	14,000	12,226
Current maturities of long-term debt	19,034	17,091
Total current liabilities	214,111	214,037
Long-term debt, net of current maturities	538,750	494,375
Deferred revenue	23,699	26,715
Other income tax liability	14,210	13,922

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Other liabilities	25,833	23,943
Total liabilities	816,603	772,992
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Special stock, 10,000,000 shares authorized: Series E, \$100 liquidation value; 115 shares issued and outstanding	12	12
Common stock, \$.10 par value; 100,000,000 shares authorized; 63,481,000 and 63,150,000 shares issued and 40,894,000 and 42,102,000 outstanding	6,340	6,309
Treasury stock at cost, 22,587,000 and 21,048,000 shares	(858,709)	(790,633)
Additional paid-in capital	500,904	489,002
Accumulated other comprehensive loss	(12,966)	(13,477)
Retained earnings	537,427	504,895
Total Bally Technologies, Inc. stockholders' equity	173,008	196,108
Noncontrolling interests	(221)	1,367
Total stockholders' equity	172,787	197,475
Total liabilities and stockholders' equity	\$ 989,390	\$ 970,467

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,	
	2012	2011
	(in 000s, except per share amounts)	
Revenues:		
Gaming equipment and systems	\$ 134,011	\$ 110,013
Gaming operations	101,140	84,954
	235,151	194,967
Costs and expenses:		
Cost of gaming equipment and systems (1)	55,354	47,101
Cost of gaming operations	30,993	24,232
Selling, general and administrative	64,516	57,222
Research and development costs	25,095	23,386
Depreciation and amortization	5,604	5,635
	181,562	157,576
Operating income	53,589	37,391
Other income (expense):		
Interest income	1,144	1,324
Interest expense	(4,617)	(4,597)
Other, net	(743)	(1,856)
Income from operations before income taxes	49,373	32,262
Income tax expense	(18,429)	(11,853)
Net income	30,944	20,409
Less net income (loss) attributable to noncontrolling interests	(1,588)	17
Net income attributable to Bally Technologies, Inc.	\$ 32,532	\$ 20,392
Basic and Diluted earnings per share attributable to Bally Technologies, Inc.:		
Basic earnings per share	\$ 0.80	\$ 0.47
Diluted earnings per share	\$ 0.77	\$ 0.45
Weighted average shares outstanding:		
Basic	40,868	43,708
Diluted	42,115	45,567

(1) Cost of gaming equipment and systems exclude amortization related to certain intangibles, including core technology and license rights, which are included in depreciation and amortization.

See accompanying notes to unaudited condensed consolidated financial statements.

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	Three Months Ended September 30,	
	2012	2011
	(in 000s)	
Net Income	\$ 30,944	\$ 20,409
Other comprehensive income (loss):		
Foreign currency translation adjustment before income taxes	853	(2,010)
Income tax expense		
Foreign currency translation adjustment	853	(2,010)
Unrealized loss on derivative financial instruments before income taxes	(526)	(8,172)
Income tax benefit	184	2,860
Unrealized loss on derivative financial instruments	(342)	(5,312)
Total other comprehensive income (loss), net of income taxes	511	(7,322)
Comprehensive income	31,455	13,087
Less: comprehensive income (loss) attributable to noncontrolling interests	(1,588)	17
Comprehensive income attributable to Bally Technologies, Inc.	\$ 33,043	\$ 13,070

See accompanying notes to unaudited condensed consolidated financial statements.

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BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011

	Common Stock Shares	Common Stock Dollars	Series E Special Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss) (OCI) (in 000s)	Retained Earnings	Noncontrolling Interests	Total Stockholders Equity
Balances at June 30, 2011	61,541	\$ 6,149	\$ 12	\$ (634,268)	\$ 442,713	\$ (3,064)	\$ 401,363	\$ 1,687	\$ 214,592
Net income, net of tax							20,392	17	20,409
Foreign currency translation adjustment						(2,010)			(2,010)
Unrealized loss on derivative financial instruments, net of tax						(5,312)			(5,312)
Total comprehensive income									\$ 13,087
Distributions to noncontrolling interests								(37)	(37)
Cumulative effect of adoption of ASU 2010-16									