

Edgar Filing: KRONOS INC - Form 8-K

KRONOS INC  
Form 8-K  
July 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): July 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   |
|-------------|---|
| -----       | -----   |
| 99.1        | Press release of Kronos Incorporated dated<br>July 24, 2003 |

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

On July 24, 2003, Kronos Incorporated announced its financial results for the third quarter ended June 28, 2003. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

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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: July 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.<br>----- | Description<br>-----                                     |
|----------------------|--|
| 99.1                 | Press release of Kronos Incorporated dated July 24, 2003 |

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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 THIRD QUARTER OF FISCAL 2003

CHELMSFORD, Mass., July 24, 2003 -- Kronos (R) Incorporated (Nasdaq: KRON), today reported that net income for the third quarter of Fiscal 2003 rose 29 percent to \$8.4 million, or \$.41 per diluted share, as compared to \$6.5 million, or \$.32 per diluted share, for the same period a year ago. Revenue for the third quarter rose 13 percent to \$98.2 million as compared to \$87.1 million for the same period a year ago.

For the nine-month period, net income rose 23 percent to \$22.7 million, as compared to \$18.5 million for the same period last year. For the nine-month period, revenue rose 17 percent to \$284.4 million as compared to \$243.1 million for the first nine months of the prior year.

"The bottom line is that Kronos is growing by delivering what customers need today: low-cost, high-impact applications that have been demonstrated to improve productivity and reduce costs in the workplace," said Mark S. Ain, Kronos' chief executive officer. "Our company remains financially strong, and our people remain focused on delivering a broad range of employee relationship management solutions and superb customer service."

This marks Kronos' 94th consecutive quarter of revenue growth compared to the same period in the previous year, and 65th consecutive quarter of profitability (Note 1). Kronos' balance sheet remains strong, with \$103.1 million in cash and investments and no debt. Total deferred maintenance, professional services and product revenue at the end of the quarter was \$119.3 million. Cash flow from operations was \$13.1 million for the quarter compared to \$8.2 million for the same period last year. For the nine-month period, cash flow from operations was \$53.2 million compared to \$42.7 million for the same period last year. Days sales outstanding (DSO) for accounts receivable was 65 days at the end of the quarter.

(more)

During the quarter, Kronos acquired the Abra Enterprise customer base from Best Software in a move which broadened its presence in the ERM market. Kronos has assumed responsibility for providing frontline support and fulfilling maintenance obligations for these customers. "This was a very strategic, well-timed move for Kronos and another investment in our future," stated Ain. The acquisition firmly planted Kronos' stake in the market for human resources and payroll applications, while giving these customers a fresh outlook on how ERM solutions can drive cost reductions and increased productivity into their operations. Half of the customers have already given a verbal commitment to migrate to Kronos' ERM suite and many conversions are already underway. "The overwhelming response indicates that these customers see tremendous value in what we've done with our HR and payroll products and take comfort in forming a long-term relationship."

#### Quarterly Wins

"A record number of new customers signed contracts that were greater than \$100,000 during the quarter, and our upgrade cycle continues to build momentum as existing customers seize the value of our Workforce Central suite," continued Ain. "We remain the vendor of choice for both the largest organizations in the world, as well as mid-size businesses who are looking for an affordable ERM solution from a trusted industry expert." During the quarter, Kronos closed contracts with Black & Decker Distribution, Comerica Bank, DHL Worldwide

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Express, Interstate Brands Corporation, Lutheran Medical Center, Manhattan Public Schools, Owens Corning, Salvation Army, Sarasota County in Florida, Tenet Healthcare, Trader Joe's, and many others.

### Outlook

"It's great to be entering our fourth quarter with sustained momentum. We will continue to make sensible acquisitions, hire the best and brightest talent, and build out our ERM suite -- all wise strategies in support of our long-term growth plans," concluded Ain. "Assuming that the current economic environment continues but does not worsen, we expect to report fourth quarter revenue in the range of \$106-110 million and earnings in the range of \$.52-.57 per share. That guidance translates into anticipated revenue of \$390-394 million for Fiscal 2003 as a whole, with earnings per share in the range of \$1.62-1.67."

(more)

### Conference Call Webcast

Kronos senior management plans to review its third-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 increase 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 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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product and company names mentioned are used for identification purposes only and may be trademarks of their respective owners.

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

|  | Three Months Ended |                  |    |
|--|--------------------|------------------|----|
|  | June 28,<br>2003   | June 29,<br>2002 |    |
| Net revenues:                                  |                    |                  |    |
| Product .....                                  | \$ 42,185          | \$ 40,458        | \$ |
| Maintenance .....                              | 32,826             | 27,104           |    |
| Professional services .....                    | 23,205             | 19,508           |    |
|  | 98,216             | 87,070           |    |
| Cost of sales:                                 |                    |                  |    |
| Costs of product .....                         | 10,097             | 10,106           |    |
| Costs of maintenance and professional services | 28,156             | 24,770           |    |
|  | 38,253             | 34,876           |    |
| Gross profit .....                             | 59,963             | 52,194           |    |
| Operating expenses and other income:           |                    |                  |    |
| Sales and marketing .....                      | 31,052             | 28,337           |    |
| Engineering, research and development .....    | 9,894              | 9,023            |    |
| General and administrative .....               | 6,063              | 5,507            |    |
| Amortization of intangible assets .....        | 985                | 746              |    |
| Other income, net .....                        | (1,384)            | (1,378)          |    |
|  | 46,610             | 42,235           |    |
| Income before income taxes .....               | 13,353             | 9,959            |    |
| Provision for income taxes .....               | 4,969              | 3,462            |    |
| Net income .....                               | \$ 8,384           | \$ 6,497         | \$ |
| Net income per common share:                   |                    |                  |    |
| Basic .....                                    | \$ 0.42            | \$ 0.33          | \$ |
| Diluted .....                                  | \$ 0.41            | \$ 0.32          | \$ |
| Weighted-average common shares outstanding:    |                    |                  |    |
| Basic .....                                    | 19,885,619         | 19,658,011       | 19 |
| Diluted .....                                  | 20,655,010         | 20,349,674       | 20 |

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

June 28,  
2003  
-----

ASSETS

Current assets:

|   |           |
|---|-----------|
| Cash and equivalents .....                            | \$ 44,558 |
| Marketable securities .....                           | 22,118    |
| Accounts receivable, less allowances of \$7,831 ..... | 75,084    |
| at June 28, 2003 and \$9,697 at September 30, 2002    |           |
| Deferred income taxes .....                           | 8,327     |
| Other current assets .....                            | 19,165    |

-----  
 Total current assets ..... 169,252

|  |        |
|--|--------|
| Property, plant and equipment, net ..... | 39,261 |
| Marketable securities .....              | 36,401 |
| Intangible assets .....                  | 25,012 |
| Goodwill .....                           | 68,427 |
| Capitalized software, net .....          | 22,644 |
| Other assets .....                       | 11,287 |

-----  
 Total assets ..... \$ 372,284  
 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

|  |          |
|--|----------|
| Accounts payable .....                               | \$ 6,550 |
| Accrued compensation .....                           | 27,465   |
| Accrued expenses and other current liabilities ..... | 13,571   |
| Deferred product revenues .....                      | 4,029    |
| Deferred professional service revenues .....         | 34,413   |
| Deferred maintenance revenues .....                  | 73,943   |

-----  
 Total current liabilities ..... 159,971

|                                     |       |
|-------------------------------------|-------|
| Deferred maintenance revenues ..... | 6,916 |
| Deferred income taxes .....         | 6,577 |
| Other liabilities .....             | 3,808 |

Shareholders' equity:

|  |         |
|--|---------|
| Preferred Stock, par value \$1.00 per share: authorized 1,000,000 shares,<br>no shares issued and outstanding .....  | --      |
| Common Stock, par value \$.01 per share: authorized 50,000,000 shares,<br>20,032,082 and 19,911,952 shares issued at June 28, 2003 and September 30,<br>2002, respectively ..... | 200     |
| Additional paid-in capital .....   | 29,084  |
| Retained earnings .....  | 165,870 |
| Cost of Treasury Stock (173 shares and 366,062 shares at<br>June 28, 2003 and September 30, 2002, respectively) .....  | (6)     |
| Accumulated other comprehensive loss:  |         |
| Foreign currency translation .....   | 11      |

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|  |            |
|--|------------|
| Net unrealized (loss)/gain on available-for-sale investments ..... | (147)      |
|  | -----      |
|  | (136)      |
| <br>   |            |
| Total shareholders' equity .....                                   | 195,012    |
|  | -----      |
| Total liabilities and shareholders' equity .....                   | \$ 372,284 |
|  | =====      |