

TALK AMERICA HOLDINGS INC
Form 10-Q
August 04, 2004

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 June 30, 2004

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 000 - 26728

Talk America Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

23-2827736

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

12020 Sunrise Valley Drive, Suite 250, Reston, Virginia

(Address of principal executive offices)

20191

(Zip Code)

(703) 391-7500

(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 is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

26,972,408 shares of Common Stock, par value of \$0.01 per share, were issued and outstanding as of August 2, 2004.

TALK AMERICA HOLDINGS, INC. AND SUBSIDIARIES

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TALK AMERICA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue	\$ 114,881	\$ 93,748	\$ 224,202	\$ 181,591
Costs and expenses:				
Network and line costs, excluding depreciation and amortization (see below)	55,586	43,268	109,806	87,152
General and administrative expenses	15,891	12,549	31,053	25,428
Provision for doubtful accounts	4,905	2,895	8,326	5,117
Sales and marketing expenses	19,204	11,629	36,488	21,000
Depreciation and amortization	5,322	4,380	10,453	8,688
Total costs and expenses	100,908	74,721	196,126	147,385
Operating income	13,973	19,027	28,076	34,206
Other income (expense):				
Interest income	42	186	143	295
Interest expense	(442)	(2,027)	(1,259)	(4,506)
Other income, net	--	314	--	2,465
Income before provision for income taxes	13,573	17,500	26,960	32,460
Provision for income taxes	5,025	6,825	10,056	12,659
Net income	\$ 8,548	\$ 10,675	\$ 16,904	\$ 19,801
Income per share Basic:				
Net income per share	\$ 0.32	\$ 0.41	\$ 0.63	\$ 0.75
Weighted average common shares outstanding				
	26,746	26,226	26,710	26,300
Income per share Diluted:				
Net income per share	\$ 0.30	\$ 0.37	\$ 0.59	\$ 0.69
Weighted average common and common equivalent shares outstanding				
	28,694	29,562	28,787	29,345

See accompanying notes to consolidated financial statements.

TALK AMERICA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)
(Unaudited)

	June 30, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,427	\$ 35,242
Accounts receivable, trade (net of allowance for uncollectible accounts of \$12,227 and \$9,414 at June 30, 2004 and December 31, 2003, respectively)	48,109	40,321
Deferred income taxes	26,338	24,605
Prepaid expenses and other current assets	7,476	5,427
Total current assets	112,350	105,595
Property and equipment, net	66,016	68,069
Goodwill	19,503	19,503
Intangibles, net	3,244	4,666
Deferred income taxes	30,619	40,543
Other assets	8,264	7,547
	\$ 239,996	\$ 245,923
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 43,039	\$ 35,296
Sales, use and excise taxes	14,926	14,551
Deferred revenue	14,516	10,873
Current portion of long-term debt	17,554	16,806
Accrued compensation	4,941	9,888
Other current liabilities	4,188	7,027
Total current liabilities	99,164	94,441
Long-term debt	2,985	31,791
Deferred income taxes	19,840	19,904
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - \$.01 par value, 5,000,000 shares authorized; no shares outstanding	--	--
Common stock - \$.01 par value, 100,000,000 shares authorized; 26,966,743 and 26,662,952 issued and outstanding at June 30, 2004 and December 31, 2003, respectively	283	280
Additional paid-in capital	356,160	354,847
Accumulated deficit	(233,436)	(250,340)

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Treasury stock - \$.01 par value, 1,315,789 shares at June 30,2004 and December 31, 2003, respectively	(5,000)	(5,000)
Total stockholders' equity	118,007	99,787
	\$ 239,996	\$ 245,923

See accompanying notes to consolidated financial statements.

TALK AMERICA HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	<u>Common Stock</u>				<u>Treasury Stock</u>		
	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Shares	Amount	Total
Balance, December 31, 2003	27,979	\$280	\$354,847	\$(250,340)	1,316	\$(5,000)	\$99,787
Net income	--	--	--	16,904	--	--	16,904
Income tax benefit related to exercise of common stock options	--	--	757	--	--	--	757
Change in terms of employee stock options	--	--	9	--	--	--	9
Exercise of common stock options	304	3	547	--	--	--	550
Balance, June 30, 2004	28,283	\$283	\$356,160	\$(233,436)	1,316	\$(5,000)	\$118,007