

EMTEC INC/NJ
Form 10-Q
April 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended February 29, 2012

Commission file number: 0-32789

EMTEC, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation or organization)

87-0273300
(I.R.S. Employer Identification No.)

11 Diamond Road
Springfield, New Jersey 07081
(Address of principal executive offices, including zip code)

(973) 376-4242
(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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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. (Check one)

Large accelerated filer Accelerated filer Non-accelerated filer 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

As of April 4, 2012, there were outstanding 17,623,937 shares of the registrant's common stock.

EMTEC, INC.
FORM 10-Q FOR THE QUARTER ENDED FEBRUARY 29, 2012

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

EMTEC, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except per Share and Share Data)

	February 29, 2012 (Unaudited)	August 31, 2011
Assets		
Current Assets		
Cash	\$3,870	\$4,039
Receivables:		
Trade, net of allowance for doubtful accounts	26,420	31,196
Other	2,366	2,223
Inventories, net	993	1,339
Prepaid expenses and other	3,202	3,440
Deferred tax asset - current	1,318	1,142
Total current assets	38,169	43,379
Property and equipment, net	4,038	4,284
Intangible assets, net	16,462	18,406
Goodwill	18,518	18,609
Deferred tax asset- long term	907	839
Other assets	1,845	1,090
Total assets	\$79,939	\$86,607
Liabilities, Put Options and Stockholders' Equity		
Current Liabilities		
Line of credit	\$15,839	\$17,222
Current portion of capital lease obligation	134	245
Accounts payable	15,599	17,847
Warrant liability	1,975	1,452
Income taxes payable	244	310
Accrued liabilities	9,436	12,095
Due to former stockholders of acquired companies	-	727
Customer deposits	5	34
Current portion earn-out liabilities	2,003	1,616
Deferred revenue	1,790	2,113
Total current liabilities	47,025	53,661
Deferred tax liability	2,908	3,752
Earn-out liabilities, net of current portion	3,217	3,148
Put option and restricted stock liability in connection with acquisition of Dinero	156	98
Capital lease obligation, net of current portion	188	189
Subordinated debt, net of original issue discount	12,495	9,520
Accrued liabilities	162	163
Total liabilities	66,151	70,531
Commitments and contingencies (Note 13)		

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Put options in connection with SDI, Covelix and Emerging acquisitions	2,166	2,166
Stockholders' Equity		
Common stock \$0.01 par value; 30,000,000 shares authorized; 17,623,937 and 17,619,813 shares issued and outstanding at February 29, 2012 and August 31, 2011, respectively.	177	177
Additional paid-in capital	16,771	16,589
Accumulated deficit	(5,377) (3,093
Accumulated other comprehensive income	51	237
Total stockholders' equity	11,622	13,910
Total liabilities, put options and stockholders' equity	\$79,939	\$86,607

The Accompanying Notes are Integral Parts of these Consolidated Financial Statements.

EMTEC, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In Thousands, Except per Share and Share Data)

	Three Months Ended		Six Months Ended	
	February 29, 2012	February 28, 2011	February 29, 2012	February 28, 2011
Revenues				
Procurement services	\$22,556	\$28,557	\$68,972	\$88,737
Consulting and outsourcing	25,169	17,573	50,783	34,262
Total Revenues	47,725	46,130	119,755	122,999
Cost of Revenues				
Cost of procurement services	19,653	25,583	60,308	79,762
Cost of consulting and outsourcing	19,591	12,797	39,070	24,941
Total Cost of Revenues	39,244	38,380	99,378	