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INFORTE CORP
Form 10-Q
May 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March 31, 2006

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 000-29239

INFORTE CORP.

(Exact name of registrant as specified in its charter)

Delaware	36-3909334
(State of incorporation)	(IRS Employer Identification No.)

500 North Dearborn Street, Suite 1200, Chicago, Illinois 60610
(Address of principal executive offices, including ZIP code)

(312) 540-0900
(Registrant's telephone number, including area code)

150 North Michigan Avenue, Suite 3400, Chicago, Illinois, 60601
(Former name, former address and former fiscal year, if changed since last report)

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and larger accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No

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The number of shares outstanding of the registrant's Common Stock as of March 31, 2006 was 12,044,736.

INFORTE CORP.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

INFORTE CORP.
CONSOLIDATED BALANCE SHEETS
(000's)

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	MAR 31, 2005	JUNE 30, 2005	SEPT 30, 2005	DEC 31, 2005	MAR 31, 2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 22,041	\$ 9,471	\$ 12,107	\$ 10,353	\$ 12,217
Short-term marketable securities	24,036	20,022	18,996	22,591	17,844
Accounts receivable	6,760	7,875	8,707	8,460	8,078
Allowance for doubtful accounts	(450)	(450)	(450)	(400)	(400)
Accounts receivable, net	6,310	7,425	8,257	8,060	7,678
Note receivable from affiliate	--	--	429	684	1,122
Prepaid expenses and other current assets	1,163	1,212	1,066	1,023	1,211
Interest receivable on investment securities	399	261	204	199	164
Deferred income taxes	2,424	1,053	1,073	484	371
Income taxes recoverable	1,042	1,013	218	124	124
Total current assets	57,415	40,457	42,350	43,518	40,731
Computers, purchased software and property	2,642	2,602	2,111	1,862	1,865
Less accumulated depreciation and amortization	1,623	1,754	1,091	881	805
Computers, purchased software and property, net	1,019	848	1,020	981	1,060
Long-term marketable securities	6,086	3,543	492	--	--
Intangible assets	--	--	64	42	27
Goodwill	11,726	11,726	14,307	15,238	15,238
Deferred income taxes	366	1,495	1,565	2,758	2,754
Investment in affiliate	--	2,000	1,924	1,857	1,783
Total assets	\$ 76,612	\$ 60,069	\$ 61,722	\$ 64,394	\$ 61,593
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 710	\$ 413	\$ 666	\$ 357	\$ 406
Income taxes payable	148	260	359	920	992
Accrued expenses	2,274	2,890	3,012	3,595	3,850
Accrued loss on disposal of leased property	1,826	1,492	1,106	845	635
Current portion of deferred acquisition payment	3,150	3,150	3,650	3,650	500
Dividends declared	17,375	--	--	--	--
Deferred revenue	1,085	1,166	1,084	1,679	1,456
Total current liabilities	26,568	9,371	9,877	11,046	7,839
Non current liabilities:					
Non-current portion of deferred acquisition payment	--	--	500	1,500	1,500
Stockholders' equity:					
Common stock, \$0.001 par value authorized- 50,000,000 shares; issued and outstanding (net of treasury stock)- 12,044,736 as of Mar. 31, 2006	11	12	12	13	12
Additional paid-in capital	74,015	74,170	74,168	74,204	74,204
Cost of common stock in treasury (2,720,823 shares as of Mar. 31, 2006)	(24,997)	(24,997)	(24,997)	(24,997)	(24,997)
Stock-based compensation	585	823	1,011	1,265	1,257
Retained earnings	--	454	999	1,307	1,636
Accumulated other comprehensive income	430	236	152	56	142
Total stockholders' equity	50,044	50,698	51,345	51,848	52,254
Total liabilities and stockholders' equity	\$ 76,612	\$ 60,069	\$ 61,722	\$ 64,394	\$ 61,593

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MAR 31, 2005	JUNE 30, 2005	SEPT 30, 2005	DEC 31, 2005	MAR 31, 2006
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See notes to consolidated financial statements

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INFORTE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(000 s, except per share data)

	THREE MONTHS ENDED MARCH 31,	
	2005	2006
	(Unaudited)	(Unaudited)
Revenues:		
Revenue before reimbursements (net revenue)	\$ 8,655	\$ 9,953
Reimbursements	891	997
Total revenues	9,546	10,950
Cost of services:		
Project personnel and related expenses	5,759	5,345
Reimbursements	891	997
Total cost of services	6,650	6,342
Gross profit	2,896	4,608
Other operating expenses:		
Sales and marketing	613	672
Recruiting, retention and training	199	373
Management and administrative	3,636	3,201
Total operating expenses	4,448	4,246
Operating income (loss)	(1,552)	362
Loss on investment in affiliate	--	(75)
Interest income, net and other	261	280
Income (loss) before income tax	(1,291)	567
Income tax expense (benefit)	(521)	238
Net income (loss)	\$ (770)	\$ 329
Earnings (loss) per share:		
-Basic	\$ (0.07)	\$ 0.03
-Diluted	\$ (0.07)	\$ 0.03
Weighted average common shares outstanding:		
-Basic	11,132	11,283
-Diluted	11,132	11,594

See notes to consolidated financial statements

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INFORTE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(000's)

	THREE MONTHS ENDED MARCH 31,	
	2005	2006
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income (loss)	\$ (770)	\$ 329
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	384	228
Loss on investment in affiliate	--	75
Non-cash compensation	404	(8)
Deferred income taxes	79	117
Changes in operating assets and liabilities		
Accounts receivable	731	382
Prepaid expenses and other current assets	(305)	(172)
Accounts payable	(46)	49
Income taxes	(1,178)	72
Accrued expenses and other	(542)	45
Deferred revenue	(582)	(223)
Net cash provided by (used in) operating activities	(1,825)	894
Cash flows from investing activities		
Note receivable from affiliate	--	(421)
Deferred acquisition payment	(3,150)	(3,150)
Decrease in marketable securities	6,359	4,738
Purchases of property and equipment	(137)	(256)
Net cash provided by investing activities	3,072	911
Cash flows from financing activities		
Proceeds from stock option and purchase plans	46	--
Net cash provided by financing activities	46	--
Effect of changes in exchange rates on cash	(69)	59
Increase in cash and cash equivalents		