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INFORTE CORP
Form 10-Q
November 14, 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 September 30, 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 September 30, 2006 was 11,905,374.

INFORTE CORP.

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FORWARD-LOOKING STATEMENTS

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This report contains forward-looking statements that involve risks, uncertainties, and assumptions, such as statements of our plans, objectives, expectations and intentions. Our actual results may differ materially from those discussed in these forward-looking statements because of the risks and uncertainties inherent in future events that include, but are not limited to, those identified under the caption Risk Factors appearing in this 10-Q and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2005, as well as factors discussed elsewhere in this Form 10-Q. Actual results may differ from forward-looking results for a number of reasons, including, but not limited to, Inforte's ability to: (i) effectively forecast demand and profitably match resources with demand; (ii) attract and retain clients and satisfy our clients expectations; (iii) recruit and retain qualified professionals; (iv) accurately estimate the time and resources necessary for the delivery of our services; (v) build and maintain marketing relationships with leading software vendors while competing with their professional services organizations; (vi) compete with emerging alternative economic models for delivery, such as offshore development; (vii) effectively integrate acquired businesses; (viii) grow new areas of its business, such as business intelligence and customer analytics; (ix) identify and successfully offer the solutions that clients demand; (x) effectively compete with larger and established competitors; (xi) retain significant clients and collect sizeable accounts receivable; and (xii) implement legislative and regulatory requirements in a timely and cost efficient manner, as well as other factors discussed from time to time in our other Securities and Exchange Commission filings. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. All forward-looking statements included in this document are made as of the date hereof, based on information available to Inforte on the date thereof, and Inforte assumes no obligation to update any forward-looking statements.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

INFORTE CORP. CONSOLIDATED BALANCE SHEETS (000 s except share amounts)

	SEPT 30, 2005	DEC 31, 2005	MAR 31, 2006	JUNE 30, 2006	SEPT 30, 2006
	(Unaudited)		(Unaudited)	(Unaudited)	(Unaudited)
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 12,107	\$ 10,353	\$ 12,217	\$ 10,569	\$ 13,583
Short-term marketable securities	18,996	22,591	17,844	19,266	16,037
Accounts receivable	8,707	8,460	8,078	7,683	7,453
Allowance for doubtful accounts	(450)	(400)	(400)	(400)	(400)
Accounts receivable, net	8,257	8,060	7,678	7,283	7,053
Note receivable from affiliate	429	684	1,122	1,537	1,784
Prepaid expenses and other current assets	1,066	1,023	1,211	1,147	895
Interest receivable on investment securities	204	199	164	133	125
Deferred income taxes	1,073	484	371	351	371
Income taxes recoverable	218	124	124	13	--
Total current assets	42,350	43,518	40,731	40,299	39,848
Computers, purchased software and property	2,111	1,862	1,865	2,303	2,324
Less accumulated depreciation and amortization	1,091	881	805	893	955
Computers, purchased software and property, net	1,020	981	1,060	1,410	1,369
Long-term marketable securities	492	--	--	--	--
Intangible assets	64	42	27	14	7
Goodwill	14,307	15,238	15,238	15,126	15,118
Deferred income taxes	1,565	2,758	2,754	2,748	2,786
Investment in affiliate	1,924	1,857	1,783	1,721	1,631
Total assets	\$ 61,722	\$ 64,394	\$ 61,593	\$ 61,318	\$ 60,759

LIABILITIES AND STOCKHOLDERS' EQUITY

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	SEPT 30, 2005	DEC 31, 2005	MAR 31, 2006	JUNE 30, 2006	SEPT 30, 2006
Accounts payable	\$ 666	\$ 357	\$ 406	\$ 1,152	\$ 458
Income taxes payable	359	920	992	306	320
Current liabilities:					
Accrued expenses	3,012	3,595	3,850	3,195	3,349
Accrued loss on disposal of leased property	1,106	845	635	486	408
Current portion of deferred acquisition payment	3,650	3,650	500	500	500
Deferred revenue	1,084	1,679	1,456	1,197	944
Total current liabilities	9,877	11,046	7,839	6,836	5,979
Non current liabilities:					
Non-current portion of deferred acquisition payment	500	1,500	1,500	1,500	1,000
Stockholders' equity:					
Common stock, \$0.001 par value authorized- 50,000,000 shares; issued and outstanding (net of treasury stock)- 11,905,374 as of Sept. 30, 2006	12	13	12	12	12
Additional paid-in capital	75,179	75,469	75,461	75,487	75,795
Cost of common stock in treasury (2,720,823 shares as of Sept. 30, 2006)	(24,997)	(24,997)	(24,997)	(24,997)	(24,997)
Retained earnings	999	1,307	1,636	2,056	2,358
Accumulated other comprehensive income	152	56	142	424	612
Total stockholders' equity	51,345	51,848	52,254	52,982	53,780
Total liabilities and stockholders' equity	\$ 61,722	\$ 64,394	\$ 61,593	\$ 61,318	\$ 60,759

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF OPERATIONS

(000 s, except per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2006	2005	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues:				
Revenue before reimbursements (net revenue)	\$ 9,711	\$ 10,252	\$ 28,160	\$ 29,778
Reimbursements	922	961	2,912	2,847
Total revenues	10,633	11,213	31,072	32,625
Cost of services:				
Project personnel and related expenses	5,187	6,051	16,267	16,838
Reimbursed expenses	922	961	2,912	2,847
Total cost of services	6,109	7,012	19,179	19,685
Gross profit	4,524	4,201	11,893	12,940
Other operating expenses:				
Sales and marketing	638	641	1,942	1,867
Recruiting, retention and training	324	576	785	1,420
Management and administrative	2,788	2,776	9,382	8,640

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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
Total other operating expenses	3,750	3,993	12,109	11,927
Operating income (loss)	774	208	(216)	1,013
Loss on investment in affiliate	(76)	(90)	(76)	(226)
Interest income, net and other	214	414	671	1,038
Income before income tax	912	532	379	1,825
Income tax expense	367	230	150	774
Net income	\$ 545	\$ 302	\$ 229	\$ 1,051
Earnings per share:				
-Basic	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.09
-Diluted	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.09
Weighted average common shares outstanding:				
-Basic	11,260	11,411	11,209	11,353
-Diluted	11,694	11,811	11,516	11,826

See notes to consolidated financial statements

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2006	2005	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash flows from operating activities				
Net income	\$ 545	\$ 302	\$ 229	\$ 1,051
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	293	228	979	698
Loss on investment in affiliate	76	90	76	226
Stock-based compensation	188			

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