

BALLY TECHNOLOGIES, INC.

Form 10-Q

November 04, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2009**

**OR**

- o 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 001-31558**

**BALLY TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

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NEVADA

(State or other jurisdiction of incorporation or organization)

88-0104066

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

6601 S. Bermuda Rd.

Las Vegas, Nevada 89119

(Address of principal executive offices)

(702) 584-7700

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer   
(do not check if a smaller reporting company)

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

The number of shares of Common Stock, \$0.10 par value, outstanding as of October 30, 2009, was 54,863,000 which do not include 3,380,000 shares held in treasury.

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Table of Contents**PART I****BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2009		June 30, 2009	
	(in 000s, except share amounts)			
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$	84,867	\$	64,598
Restricted cash		9,555		9,076
Accounts and notes receivable, net of allowances for doubtful accounts of \$8,574 and \$8,939		181,192		174,698
Inventories		52,935		52,942
Prepaid and refundable income tax		27,374		43,756
Deferred income tax assets		37,309		36,114
Deferred cost of revenue		19,101		21,906
Prepaid assets		12,106		7,531
Other current assets		9,341		13,018
Total current assets		433,780		423,639
Restricted long-term investments		12,656		12,097
Long-term receivables		18,125		9,826
Property, plant and equipment, net of accumulated depreciation of \$67,294 and \$64,113		76,158		76,889
Leased gaming equipment, net of accumulated depreciation of \$126,938 and \$117,638		89,218		95,012
Goodwill		162,198		161,960
Intangible assets, net		38,668		32,198
Deferred income tax assets		12,703		15,373
Long-term deferred cost of revenue		39,392		41,615
Other assets, net		11,394		12,273
Total assets	\$	894,292	\$	880,882
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
Current liabilities:				
Accounts payable	\$	20,496	\$	20,574
Accrued liabilities		43,340		47,405
Customer deposits		10,715		10,375
Jackpot liabilities		12,621		12,266
Deferred revenue		43,355		49,122
Income tax payable		3,489		2,971
Current maturities of long-term debt		37,851		35,337
Total current liabilities		171,867		178,050
Long-term debt, net of current maturities		165,000		173,750
Long-term deferred revenue		57,300		60,464
Other income tax liability		19,990		22,072
Other liabilities		8,468		7,797
Total liabilities		422,625		442,133
Commitments and contingencies (Note 9)				

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Stockholders' equity:				
Special stock, 10,000,000 shares authorized; Series E, \$100 liquidation value; 115 shares issued and outstanding		12		12
Common stock, \$.10 par value; 100,000,000 shares authorized; 57,885,000 and 57,091,000 shares issued and 54,709,000 and 54,312,000 outstanding		5,782		5,703
Treasury stock at cost, 3,176,000 and 2,779,000 shares		(80,141)		(64,727)
Additional paid-in capital		348,482		330,465
Accumulated other comprehensive loss		(1,150)		(770)
Retained earnings		196,247		165,623
Total Bally Technologies, Inc. stockholders' equity		469,232		436,306
Noncontrolling interests		2,435		2,443
Total stockholders' equity		471,667		438,749
Total liabilities and stockholders' equity	\$	894,292	\$	880,882

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,	
	2009	2008
(in 000s, except per share amounts)		
<b>Revenues:</b>		
Gaming equipment and systems	\$ 116,021	\$ 159,574
Gaming operations	71,309	67,776
Casino operations	9,155	10,048
	196,485	237,398
<b>Costs and expenses:</b>		
Cost of gaming equipment and systems (1)	50,372	76,822
Cost of gaming operations	19,091	20,560
Direct cost of casino operations	3,865	4,355
Selling, general and administrative	46,947	57,207
Research and development	19,471	19,871
Depreciation and amortization	5,824	5,106
	145,570	183,921
Operating income	50,915	53,477
<b>Other income (expense):</b>		
Interest income	645	1,156
Interest expense	(3,286)	(5,093)
Other, net	128	(2,566)
Income before income taxes	48,402	46,974
Income tax expense	(17,045)	(17,137)
Net income	31,357	29,837
Less net income (loss) attributable to noncontrolling interests	733	(467)
Net income attributable to Bally Technologies, Inc.	\$ 30,624	\$ 30,304
<b>Basic and diluted earnings per share:</b>		
Basic earnings attributable to Bally Technologies, Inc. per share	\$ 0.56	\$ 0.55
Diluted earnings attributable to Bally Technologies, Inc. per share	\$ 0.53	\$ 0.52
<b>Weighted average shares outstanding:</b>		
Basic	54,268	55,070
Diluted	57,685	58,124

(1) Cost of gaming equipment and systems exclude amortization related to certain intangibles, including core technology and license rights, which are included in depreciation and amortization.

See accompanying notes to unaudited condensed consolidated financial statements.



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**BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008**

	Common Stock		Series E	Treasury	Additional	Accumulated	Retained	Noncontrolling	Total
	Shares	Dollars	Special	Stock	Paid-In	Other	Earnings	Interests	Stockholders
			Stock		Capital	Income			Equity
						(Deficit)			
						( OCI )			
						(in 000s)			
Balances at June 30, 2009	57,091	\$ 5,703	\$ 12	\$ (64,727)	\$ 330,465	\$ (770)	\$ 165,623	\$ 2,443	\$ 438,749
Net income							30,624	733	31,357
Foreign currency translation adjustment						1,258			1,258
Unrealized loss on derivative financial instruments						(1,638)			(1,638)
Total comprehensive income									\$ 30,977
Distributions to noncontrolling interests								(741)	(741)
Restricted stock issued	48	5			(5)				
Receipt of stock from exercise of stock options and tax liability on restricted stock					(172)				(172)
Purchase of common stock for treasury					(15,242)				(15,242)
Shares issued upon exercise of warrants	11	1			(1)				
Share-based compensation					3,499				3,499
Shares issued upon exercise of stock options	722	72							