

EVOLVING SYSTEMS INC

Form 10-Q

November 12, 2013

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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, 2013

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: 0-24081

EVOLVING SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

84-1010843

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(State or other jurisdiction of incorporation or organization)

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

9777 Pyramid Court, Suite 100 Englewood, Colorado
(Address of principal executive offices)

80112
(Zip Code)

(303) 802-1000

(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 (§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, or a non-accelerated filer, or a smaller reporting company. See definition 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

As of November 6, 2013 there were 11,492,920 shares outstanding of Registrant's Common Stock (par value \$0.001 per share).

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Quarterly Report on Form 10-Q
September 30, 2013
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(in thousands except share data)

(unaudited)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,719	\$ 8,844
Short-term restricted cash		53
Contract receivables, net of allowance for doubtful accounts of \$70 at September 30, 2013 and December 31, 2012, respectively	5,490	4,803
Unbilled work-in-progress, net of allowance of \$311 and \$295 at September 30, 2013 and December 31, 2012, respectively	2,190	4,802
Prepaid and other current assets	903	1,133
Total current assets	22,302	19,635
Property and equipment, net	285	211
Amortizable intangible assets, net		204
Goodwill	16,484	16,510
Long-term deferred income taxes		27
Other long-term assets	1	6
Total assets	\$ 39,072	\$ 36,593
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of capital lease obligations	\$ 4	\$ 4
Accounts payable and accrued liabilities	3,588	3,833
Income taxes payable	475	308
Unearned revenue	3,236	1,596
Total current liabilities	7,303	5,741
Long-term liabilities:		
Capital lease obligations, net of current portion	12	16
Deferred income taxes	224	
Total liabilities	7,539	5,757
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 2,000,000 shares authorized; no shares issued and outstanding as of September 30, 2013 and December 31, 2012		
Common stock, \$0.001 par value; 40,000,000 shares authorized; 11,655,644 shares issued and 11,476,755 outstanding as of September 30, 2013 and 11,566,109 shares issued and	12	11

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11,387,220 outstanding as of December 31, 2012			
Additional paid-in capital	92,893		91,957
Treasury stock 178,889 shares as of September 30, 2013 and December 31, 2012, at cost	(1,253)		(1,253)
Accumulated other comprehensive loss	(3,566)		(3,297)
Accumulated deficit	(56,553)		(56,582)
Total stockholders' equity	31,533		30,836
Total liabilities and stockholders' equity	\$ 39,072	\$	36,593

The accompanying notes are an integral part of these condensed consolidated financial statements.

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EVOLVING SYSTEMS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands except per share data)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUE				
License fees and services	\$ 3,828	\$ 4,741	\$ 11,853	\$ 13,032
Customer support	2,241	2,093	6,670	6,364
Total revenue	6,069	6,834	18,523	19,396
COSTS OF REVENUE AND OPERATING EXPENSES				
Costs of license fees and services, excluding depreciation and amortization	1,217	1,707	4,054	5,049
Costs of customer support, excluding depreciation and amortization	378	391	1,087	1,138
Sales and marketing	1,230	1,270	3,776	