

# SYKES ENTERPRISES INC

## FORM 10-Q/A (Amended Quarterly Report)

Filed 11/20/00 for the Period Ending 03/31/00

Address	400 NORTH ASHLEY DRIVE TAMPA, FL 33602
Telephone	8132741000
CIK	0001010612
Symbol	SYKE
SIC Code	7373 - Computer Integrated Systems Design
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

# SYKES ENTERPRISES INC

## FORM 10-Q/A (Amended Quarterly Report)

Filed 11/20/2000 For Period Ending 3/31/2000

Address	100 NORTH TAMPA ST STE 3900 TAMPA, Florida 33602
Telephone	813-274-1000
CIK	0001010612
Industry	Computer Networks
Sector	Technology
Fiscal Year	12/31

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**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q/A**

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2000

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-28274

**SYKES ENTERPRISES, INCORPORATED**

(Exact name of Registrant as specified in its charter)

Florida

56-1383460

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(IRS Employer Identification No.)

100 North Tampa Street, Suite 3900, Tampa, FL 33602

Registrant's telephone number, including area code: (813) 274-1000

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 at least the past 90 days.

Yes  No

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDING DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

As of May 10, 2000, there were 42,009,063 shares of common stock outstanding.

## **Explanatory Note**

On October 30, 2000, Sykes Enterprises, Incorporated ("Sykes") announced the completion of a comprehensive review of its software recognition accounting practices for all significant software licensing arrangements and service contracts with respect to the years ended December 31, 1998 and 1999, and for the nine months ended September 30, 2000. As a result of that review, Sykes determined that the accounting for eight clients' contracts required revision. Sykes determined that revenue that had been recognized should have been recognized either as payments came due, upon completion of all services required under the arrangements or upon the satisfaction of any contingency. Accordingly, Sykes has restated its financial statements for the years ended December 31, 1998 and 1999, and as of March 31, 2000.

This Form 10-Q/A includes such restated financial statements and related notes thereto for the three months ended March 31, 2000, and other information related to such restated financials statements. Except for Items 1 and 2 of Part I and Exhibit 27.1, no other information included in the original report on Form 10-Q is amended by this Form 10-Q/A.

**PART I**

**ITEM 1 - FINANCIAL STATEMENTS**

**SYKES ENTERPRISES, INCORPORATED  
CONSOLIDATED BALANCE SHEETS**

	DECEMBER 31, 1999	MARCH 31, 2000
	----- (Restated)	----- (Restated) (Unaudited)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents .....	\$ 31,001,354	\$ 27,531,677
Restricted cash .....	15,108,523	19,798,883
Receivables .....	126,476,947	145,751,779
Prepaid expenses and other current assets .....	15,252,307	16,429,812
	-----	-----
Total current assets .....	187,839,131	209,512,151
Property and equipment, net .....	134,755,878	146,370,026
Marketable securities .....	199,875	199,875
Intangible assets, net .....	76,830,977	74,802,019
Deferred charges and other assets .....	19,769,980	19,065,125
	-----	-----
	\$ 419,395,841	\$ 449,949,196
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Current installments of long-term debt .....	\$ 3,236,451	\$ 4,528,973
Accounts payable .....	37,409,955	28,522,262
Income taxes payable .....	932,158	--
Accrued employee compensation and benefits .....	24,205,591	25,318,215
Customer deposits .....	11,820,739	22,484,360
Other accrued expenses and current liabilities .....	17,159,191	20,015,610
	-----	-----
Total current liabilities .....	94,764,085	100,869,420
Long-term debt .....	80,052,717	91,755,493
Deferred grants .....	21,198,709	23,217,501
Deferred revenue .....	26,593,100	47,310,635
Other long-term liabilities .....	1,400,466	2,683,761
	-----	-----
Total liabilities .....	224,009,077	265,836,810
	-----	-----
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; no shares issued and outstanding .....	--	--
Common stock, \$0.01 par value, 200,000,000 shares authorized; 42,734,284 and 43,009,063 issued .....	427,343	430,091
Additional paid-in capital .....	155,022,390	157,217,819
Retained earnings .....	45,797,226	52,498,188
Accumulated other comprehensive income .....	(5,860,195)	(9,834,772)
	-----	-----
Treasury stock at cost; 1,000,000 shares (none in (1999)).....	--	(16,198,940)
	-----	-----
Total shareholders' equity .....	195,386,764	184,112,386
	-----	-----
	\$ 419,395,841	\$ 449,949,196
	=====	=====

See accompanying notes to consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000**  
(Unaudited)

	1999	2000
	-----	-----
Revenues .....	\$ 136,377,905	\$ 161,311,916
	-----	-----
Operating expenses		
Direct salaries and related costs .....	83,246,909	102,211,246
General and administrative .....	36,276,791	46,915,076
	-----	-----
Total operating expenses .....	119,523,700	149,126,322
	-----	-----
Income from operations .....	16,854,205	12,185,594
Other expense		
Interest, net .....	(658,844)	(1,235,732)
Other .....	83,952	(900)
	-----	-----
Total other expense .....	(574,892)	(1,236,632)
	-----	-----
Income before income taxes .....	16,279,313	10,948,962
Provision for income taxes .....	6,300,094	4,248,000
	-----	-----
Net income .....	\$ 9,979,219	\$ 6,700,962
	=====	=====
Net income per share		
Basic .....	\$ 0.24	\$ 0.16
	=====	=====
Diluted .....	\$ 0.23	\$ 0.16
	=====	=====
Weighted average shares outstanding		
Basic .....	41,458,845	42,606,204
Diluted .....	42,824,342	42,901,775

See accompanying notes to consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (RESTATED)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance at January 1, 1999, restated	41,451,905	\$414,519	\$ 136,199,748	\$23,894,815	\$(1,407,760)	--	\$ 159,101,322
Issuance of common stock	635,164	6,352	536,956	--	--	--	543,308
Net income	--	--	--	9,979,219	--	--	9,979,219
Foreign currency translation adjustment	--	--	--	--	(709,497)	--	(709,497)
Unrealized gain on securities	--	--	--	--	2,754	--	2,754
Comprehensive income							9,272,476
Balance at March 31, 1999 (unaudited)	42,087,069	420,871	136,736,704	33,874,034	(2,114,503)	--	168,917,106
Issuance of common stock	647,215	6,472	10,834,363	--	--	--	10,840,835
Tax-effect of non-qualified exercise of stock options	--	--	7,451,323	--	--	--	7,451,323
Net income, restated	--	--	--	11,923,192	--	--	11,923,192
Foreign currency translation adjustment	--	--	--	--	(3,745,692)	--	(3,745,692)
Comprehensive income							8,177,500
Balance at December 31, 1999, restated	42,734,284	427,343	155,022,390	45,797,226	(5,860,195)	--	195,386,764
Issuance of common stock	274,779	2,748	2,195,429	--	--	--	2,198,177
Purchase of treasury stock	--	--	--	--	--	\$(16,198,940)	(16,198,940)
Net income	--	--	--	6,700,962	--	--	6,700,962
Foreign currency translation adjustment	--	--	--	--	(3,974,577)	--	(3,974,577)
Comprehensive income							2,726,385
Balance at March 31, 2000 (unaudited)	43,009,063	\$430,091	\$ 157,217,819	\$52,498,188	\$(9,834,772)	\$(16,198,940)	\$ 184,112,386

See accompanying notes to consolidated financial statements.

**SYKES ENTERPRISES, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000**  
(Unaudited)

	1999	2000
	(Restated)	(Restated)
Cash flows from operating activities		
Net income .....	\$ 9,979,219	\$ 6,700,962
Depreciation and amortization .....	8,567,604	9,724,197
Deferred income taxes .....	(1,370,488)	6,581,023
Changes in assets and liabilities		
Receivables .....	(7,474,046)	(19,099,531)
Prepaid expenses and other current assets .....	(3,232,245)	(966,221)
Intangible assets .....	(90,139)	--
Deferred charges and other assets .....	(493,952)	(4,656,097)
Accounts payable .....	622,186	(8,887,693)
Income taxes payable .....	1,913,996	(1,107,461)
Accrued employee compensation and benefits .....	1,926,373	1,112,624
Customer deposits, net of restricted cash .....	736,348	5,973,261
Other accrued expenses and current liabilities .....	603,277	2,856,419
Deferred revenue .....	970,285	20,717,535
Other long-term liabilities .....	(568,612)	176,653
	12,089,806	19,125,671
Cash flows from investing activities		
Capital expenditures .....	(19,731,518)	(19,635,308)
	(19,731,518)	(19,635,308)
Cash flows from financing activities		
Paydowns under revolving line of credit agreements .....	(17,000,000)	(18,544,603)
Borrowings under revolving line of credit agreements .....	14,500,000	31,539,903
Proceeds from issuance of stock .....	543,308	2,198,177
Proceeds from grants .....	5,280,976	2,020,000
Purchase of treasury stock .....	--	(16,198,940)
Payments of long-term debt .....	(2,048,615)	--
	1,275,669	1,014,537
Adjustments for foreign currency translation .....		
	(709,497)	(3,974,577)
Net decrease in cash and cash equivalents .....	(7,075,540)	(3,469,677)
Cash and cash equivalents - beginning .....	36,348,868	31,001,354
Cash and cash equivalents - ending .....	\$ 29,273,328	\$ 27,531,677

See accompanying notes to consolidated financial statements.



# SYKES ENTERPRISES, INCORPORATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000 (Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries ("Sykes" or the "Company") provides vertically integrated information technology-based solutions to customers on a worldwide basis. By utilizing its information technology support centers and e-commerce platform, Sykes is able to provide traditional and e-commerce services at all stages in the life cycle of its clients' products and services, including initial development documentation and localization, customer product services, and end-user support. The Company's services are provided to customers throughout a wide variety of industries.

On October 30, 2000, Sykes announced the completion of a comprehensive review of its software recognition accounting practices for all significant software licensing arrangements and service contracts for the years ended December 31, 1998 and 1999, and for the nine months ended September 30, 2000. As a result of the review, Sykes determined that the accounting for eight clients' contracts required revision. Sykes determined that revenue that had been recognized, should have been recognized either as payments came due, upon completion of all services under the arrangements or upon the satisfaction of any contingency. As a result, the financial statements for the years ended December 31, 1998 and 1999, the consolidated balance sheet as of March 31, 2000, and the consolidated statements of cash flows for the three months ended March 31, 1999 and 2000, have been restated.

The effects of the restatement of Sykes' consolidated balance sheet as of March 31, 2000 are as follows:

	March 31, 2000	
	As Reported	As Restated
Total assets	\$457,058,364	\$449,949,196
Deferred revenue	\$ 45,392,495	\$ 47,310,635
Retained earnings	\$ 58,462,965	\$ 52,498,188
Shareholders' equity	\$190,077,163	\$184,112,386

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and notes thereto as of and for the year ended December 31, 1999 included in the Company's Form 10-K/A for the year ended December 31, 1999 as filed with the United States Securities and Exchange Commission ("SEC") on November 20, 2000.

### NOTE 1 - ACQUISITIONS AND MERGERS

On August 20, 1999, the Company acquired all of the common stock of CompuHelpline, Inc., (d/b/a PC Answer) for approximately \$340,000 consisting of \$40,000 of cash and 11,594 shares of the Company's common stock. PC Answer was engaged in developing, marketing and selling prepaid technical computer support cards and services under the trademark names of PC Answer and MAC Answer. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life. Pro forma information is not presented, as the operating results of PC Answer are not material to the Company's consolidated operations.

Effective August 31, 1999, the Company acquired all of the common stock of Acer Servicios de Informacion Sociedad Anonima ("AIS") of Heredia, Costa Rica for \$6.0 million in cash. AIS operated an information technology call center that provided technical support and services to customers in North America and Central America. The transaction was accounted for under the purchase method of accounting with resulting goodwill being

**SYKES ENTERPRISES, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000**  
(Unaudited)

**NOTE 1 - ACQUISITIONS AND MERGERS - (continued)**

amortized over a ten-year life. Pro forma information is not presented as the operating results of AIS are not material to the Company's consolidated operations.

Effective October 12, 1999, the Company acquired the AnswerExpress Support Suite for \$2.5 million in cash. The transaction was accounted for under the purchase method of accounting with resulting goodwill being amortized over a ten-year life. Pro forma information is not presented as the operating results of AnswerExpress are not material to the Company's consolidated operations.

**NOTE 2 - CREDIT FACILITY**

Effective May 2, 2000, the Company amended and restated its existing syndicated credit facility with a syndicate of lenders for which Bank of America, N.A. and SunTrust Bank serve as agents (the "Amended Credit Facility"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility was maintained at \$150.0 million. The \$150.0 million Amended Credit Facility includes a \$10.0 million swingline loan to be used for working capital purposes. In addition, the Company amended and restated its \$15.0 million multi-currency credit facility that provides for multi-currency lending. Borrowings under the Amended Credit Facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a Eurodollar rate plus an applicable margin of up to 1.75 %. Borrowings under the \$10.0 million swingline loan bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a Quoted Rate for swingline loans. Borrowings under the \$15.0 million multi-currency facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a quoted Euro rate for swingline loans. The Company paid aggregate financing fees of approximately \$0.3 million, which have been deferred and will be amortized over the term of the Amended Credit Agreement. In addition, a commitment fee up to .375% will be charged on the unused portion of the Amended Credit Facility on a quarterly basis. The Amended Credit Facility matures on February 28, 2003, and the multi-currency facility matures on February 28, 2002. The long-term debt as of March 31, 2000 that is presented in the balance sheet is classified in accordance with the terms of the Amended Credit Agreement.

Borrowings under the Amended Credit Agreement are guaranteed by certain of the Company's subsidiaries as evidenced by a pledge of 66% of the respective subsidiary's common stock. Under the terms of the Amended Credit Agreement, the Company is required to maintain certain financial ratios and other financial and non-financial conditions. The Amended Credit Agreement prohibits the Company from incurring additional indebtedness, limits certain investments, advances or loans and restricts substantial asset sales, capital expenditures and cash dividends.

**NOTE 3 - COMMITMENTS AND CONTINGENCIES**

As of May 5, 2000, the Company is aware of 14 purported class action lawsuits that have been filed against Sykes and certain of its officers alleging violations of federal securities laws. All of the actions were filed in the United States District court for the Middle District of Florida, and all of the actions have been consolidated into one action. The plaintiffs of these lawsuits purport to assert claims on behalf of a class of purchasers of Sykes common stock during part of 1999 and through February 4, 2000. The actions claim violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. Among other things, the actions allege that during 1999 and 2000, the Company and certain of its officers made materially false statements concerning the Company's financial condition and its future prospects. The complaints also claim that certain of the Company's quarterly financial statements during 1999 were not prepared in accordance with generally accepted accounting principles. The actions seek compensatory and other damages, and costs and expenses associated with the litigation.

The Company intends to defend the actions vigorously. However, the Company cannot predict the outcome of this lawsuit or the impact that they may have on the Company. The Company also cannot predict whether any other

**SYKES ENTERPRISES, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000**  
(Unaudited)

**NOTE 3 - COMMITMENTS AND CONTINGENCIES - (continued)**

suits, claims, or investigations may arise in the future based on the same claims. The outcome of this lawsuit or any future lawsuits, claims, or investigations relating to the same subject matter may have a material adverse impact on the Company's financial condition and results of operations.

The Company from time to time is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that it has adequate legal defenses and/or provided adequate accruals for related costs such that the ultimate outcome will not have a material adverse effect on the Company's future financial position.

During January 2000, the Company became contingently liable for a letter of credit in the amount of \$30.0 million, which guaranteed performance of a contractual obligation.

**NOTE 4 - ACCUMULATED OTHER COMPREHENSIVE INCOME**

Sykes presents data in the Consolidated Statements of Changes in Shareholders' Equity in accordance with Statement of Financial Accounting Standard No. 130 "Reporting Comprehensive Income." This statement establishes rules for the reporting of comprehensive income and its components. The components of other unaudited comprehensive income are as follows:

	Accumulated Other Comprehensive Income
	-----
Balance at December 31, 1999 .....	\$(5,860,195)
Foreign currency translation adjustment .....	(3,974,577)
	-----
Balance at March 31, 2000 (unaudited) .....	\$(9,834,772)
	=====

Earnings associated with the Company's investment in its foreign subsidiaries are considered permanently invested and no provision for United States federal and state income taxes on those earnings or translation adjustments has been provided.

**NOTE 5 - EARNINGS PER SHARE**

Basic earnings per share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the respective periods and the further dilutive effect, if any, from stock options using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows:

	THREE MONTHS ENDED	
	MARCH 31, 1999	MARCH 31, 2000
	-----	-----
Basic:		
Weighted average common shares outstanding .....	41,458,845	42,606,204
	-----	-----
Total weighted average basic shares outstanding ...	41,458,845	42,606,204
Diluted:		
Dilutive effect of stock options .....	1,365,497	295,571
	-----	-----
Total weighted average diluted shares outstanding ..	42,824,342	42,901,775
	=====	=====

**SYKES ENTERPRISES, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED MARCH 31, 1999 AND MARCH 31, 2000**  
(Unaudited)

**ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following should be read in conjunction with the Sykes Enterprises, Incorporated (the "Company") December 31, 1999 Consolidated Financial Statements, as restated, including the notes thereto. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Words such as "may", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe the Company's future plans, objectives, or goals also are forward-looking statements. Future events and the Company's actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to, the marketplace's continued receptivity to the Company's bundled service offering; the Company's ability to continue the growth of its support service revenues through additional technical support centers; the Company's ability to further penetrate into vertically integrated markets; the Company's ability to expand its e-commerce service platform revenues; the Company's ability to continue to establish a competitive advantage through sophisticated technological capabilities; the outcome of pending litigation against the Company; the Company's ability to continue growth through acquisitions or expansion of its existing operations; the Company's ability to manage growth; the Company's ability to complete any recommended alternatives with respect to SHPS; the loss of a significant customer; technological change; the Company's ability to integrate the operations of acquisitions; risks associated with the Company's international operations and expansion; the Company's ability to attract and retain experienced personnel; the continuance of the industry trend toward outsourcing of information technology services; the emergency interruption of technical support center operations; the loss of any senior management or key personnel; risks associated with SHPS's care management contracts; potential legal liability for SHPS' care management services; potential legal liability of SHPS as a benefits administrator under ERISA and COBRA; risks on SHPS relating to laws governing the corporate practice of medicine; risks of SHPS relating to telemedicine; and the possible adverse effect on SHPS of national and state healthcare reform proposals.

**RESULTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2000, COMPARED TO THREE MONTHS ENDED MARCH 31, 1999**

For the three months ended March 31, 2000, the Company recorded consolidated revenues of \$161.3 million, an increase of \$24.9 million or 18.3%, from the \$136.4 million of consolidated revenues for the comparable period during 1999. This growth in revenue was the result of a \$26.6 million or 26.6% increase in information technology support services, an increase of \$0.1 million from e-commerce services and solutions, partially offset by a decrease of \$1.8 million from e-business distribution services.

The increase in information technology support services revenues for the three months ended March 31, 2000 was primarily attributable to an increase in the number of technical support centers providing services throughout the period and the resultant increase in e-mail requests and call volumes from clients. The new technical support centers were required as a result of continued growth of technical support services from both e-commerce and traditional telephone support services. Subsequent to the first quarter of 1999, the Company opened four domestic and four international technical support centers, and significantly expanded an additional four international centers. The increase in e-commerce services and solutions revenues was attributable to an increase in the average bill rate charged for consulting services, partially offset by the sale of the Company's Manufacturing and Distribution operation during the second quarter of 1999 and to a decline in language translation and localization services due to the delay in the commencement of certain projects. The decrease in e-business distribution services revenue for the

**SYKES ENTERPRISES, INCORPORATED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2000, COMPARED TO THREE MONTHS ENDED MARCH 31, 1999**  
(CONTINUED)

three months ended March 31, 2000 was primarily attributable to the loss of a client that decided to discontinue operations within North America.

Direct salaries and related costs increased approximately \$19.0 million or 22.8% to \$102.2 million for the three-month period in 2000 from \$83.2 million in 1999. As a percentage of revenues, direct salaries and related costs increased to approximately 63.4% in 2000 from approximately 61.0% for the comparable period in 1999. The increase in both the dollar amount and percentage of revenue was primarily attributable to a \$17.6 million increase in salaries and benefits to support revenue growth and associated training costs. In addition, during the first quarter of 1999, the Company capitalized approximately \$0.4 million of costs related to internally developed software with no additional costs capitalized during the first quarter of 2000.

General and administrative expenses increased approximately \$10.6 million or 29.3% to \$46.9 million for the three month period in 2000 from \$36.3 million in 1999. As a percentage of revenues, general and administrative expenses increased to 29.1% in 2000 from 26.6% for the comparable period in 1999. The increase in the dollar amount of general and administrative expenses was primarily attributable to a \$4.4 million increase in salaries and benefits to support the Company's growth, a \$1.0 million increase in depreciation expenses associated with facility and capital equipment expenditures incurred in connection with the integration and expansion of the Company's technical support and e-commerce services, and to a \$0.9 million increase in telecom costs.

Interest and other expense was \$1.2 million during the first three months of 2000, compared to \$0.6 million during the comparable 1999 period. The increase in interest and other expense for the three-month period was attributable to an overall increase in interest rates and to an increase in the Company's average outstanding debt position. The Company's average interest rate for the first quarter of 2000 was 7.75% compared to 6.50% for the comparable period of 1999, resulting in an increase of interest of approximately \$0.3 million. The Company's average debt balance for the first quarter of 2000 was approximately \$77.2 million compared to approximately \$75.4 million for the first quarter of 1999. The increase in the average debt balance is principally due to the Company's repurchase of 1.0 million shares of its common stock to be held as treasury shares.

The provision for income taxes decreased \$2.1 million, or 32.6%, to \$4.2 million for the three-month period in 2000 from \$6.3 million for the comparable period in 1999. As a percentage of revenue, the provision for income taxes decreased to 2.6% during the 2000 period when contrasted to approximately 4.6% for the comparable 1999 period. The decrease in the provision for income taxes was attributable to the \$4.7 million decrease in earnings from operations and the \$0.6 million increase in interest expense. The Company's effective tax rate was 38.8% for 2000 compared to 38.7% for the comparable 1999 period.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's primary sources of liquidity are cash flows from operations and available borrowings under its credit facilities. The Company has utilized its capital resources to make capital expenditures associated primarily with its technical support services, invest in technology applications and tools to further develop and transition the Company's service offerings, and for working capital and other general corporate purposes. In addition, the Company intends future uses of its sources of liquidity to include the aforementioned and possible acquisitions.

During the three-month period ended March 31, 2000, the Company generated approximately \$19.1 million in cash from operations. The Company utilized these funds and certain of its available cash and borrowings under its credit facility to fund the purchase of \$16.2 million of common stock to be held in treasury and \$19.6 million of capital expenditures. The purchase of the shares of the Company's common stock was in connection with a stock repurchase program announced in February 2000, in order to enhance shareholder value. The capital expenditures were predominately the result of the Company's enhancement of its e-commerce initiatives including the integration of its e-business distribution centers with its technical support centers.

**SYKES ENTERPRISES, INCORPORATED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**

**LIQUIDITY AND CAPITAL RESOURCES (continued)**

Effective May 2, 2000, the Company amended and restated its existing syndicated credit facility with a syndicate of lenders for which Bank of America, N.A. and SunTrust Bank serve as agents (the "Amended Credit Facility"). Pursuant to the terms of the Amended Credit Facility, the amount of the Company's revolving credit facility was maintained at \$150.0 million. The \$150.0 million Amended Credit Facility includes a \$10.0 million swingline loan to be used for working capital purposes. In addition, the Company amended and restated its \$15.0 million multi-currency credit facility that provides for multi-currency lending. Borrowings under the Amended Credit Facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a Eurodollar rate plus an applicable margin of up to 1.75 %. Borrowings under the \$10.0 million swingline loan bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a Quoted Rate for swingline loans. Borrowings under the \$15.0 million multi-currency facility bear interest, at the Company's option, at (a) the lender's base rate plus an applicable margin of up to .25% or (b) a quoted Euro rate for swingline loans. The Company paid aggregate financing fees of approximately \$0.3 million, which have been deferred and will be amortized over the term of the Amended Credit Agreement. In addition, a commitment fee up to .375% will be charged on the unused portion of the Amended Credit Facility on a quarterly basis. The Amended Credit Facility matures on February 28, 2003, and the multi-currency facility matures on February 28, 2002.

The Company believes that its current cash levels, accessible funds under its credit facilities and cash flows from future operations will be adequate to meet its working capital needs, continued expansion objectives, anticipated levels of capital expenditures and debt repayment requirements, including those that may be required pursuant to the integration of its acquisitions, for the foreseeable future.

**QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

The Company's earnings and cash flows are subject to fluctuations due to changes in non-U.S. currency exchange rates. The Company is exposed to non-U.S. exchange rate fluctuations as the financial results of non-U.S. subsidiaries are translated into U.S. dollars in consolidation. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact overall expected profitability. The cumulative translation effects for subsidiaries using functional currencies other than the U.S. dollar are included in accumulated other comprehensive income in shareholders' equity. Movements in non-U.S. currency exchange rates may affect the Company's competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-United States based competitors. Under its current policy, the Company does not use non-U.S. exchange derivative instruments to manage its exposure to changes in non-U.S. currency exchange rates.

The Company's exposure to interest rate risk results from its variable rate debt outstanding under its credit facilities. At March 31, 2000, the Company had \$84.0 million in debt outstanding at variable interest rates, which is generally equal to the Eurodollar rate plus an applicable margin. Based on the Company's level of variable rate debt in the first quarter of 2000, a one point increase in the weighted average interest rate would increase the Company's annual interest expense by approximately \$0.8 million. Under its current policy, the Company does not use derivative instruments to manage its exposure to changes in interest rates.

**IMPACT OF YEAR 2000**

In prior periods, the Company discussed the nature and progress of its plans to become Year 2000 compliant. During September 1999, the Company completed its remediation and testing of its systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. Sykes is not aware of any material problems resulting from Year 2000 issues, either with its products and services, its internal systems, or those products or services of third parties. Sykes will continue to monitor its critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any delayed Year 2000 matters that may arise are addressed promptly.

**SYKES ENTERPRISES, INCORPORATED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**  
**AND RESULTS OF OPERATIONS**

**FLUCTUATIONS IN QUARTERLY RESULTS**

For the year ended December 31, 1999, quarterly revenues as a percentage of total annual revenues were approximately 24%, 23%, 25% and 28%, respectively, for the first through fourth quarters of the year. The Company has experienced and anticipates that in the future it will continue to experience variations in quarterly revenue. The variations are due to the timing of new contracts and renewal of existing contracts, the timing of expenses incurred to support new business, the timing and frequency of client spending for e-commerce and e-business activities, non-U.S. currency fluctuations, and the seasonal pattern of technical support and e-business distribution services.

**SYKES ENTERPRISES, INCORPORATED**  
**FORM 10-Q/A**  
**FOR THE QUARTER ENDED MARCH 31, 2000**

**PART II - OTHER INFORMATION**

**ITEM 1 - LEGAL PROCEEDINGS**

Reference is made to Part I, Item 3 "Legal Proceedings" of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, filed March 29, 2000. Since March 29, 2000, the Company has not been named as a defendant in any action which, to the best of the Company's knowledge, could have a material adverse effect on the financial condition or results of operations of the Company other than the action described below.

As of May 5, 2000, the Company is aware of 14 purported class action lawsuits that have been filed against Sykes and certain of its executive officers alleging violations of federal securities law. All of the actions were filed in the United States District court for the Middle District of Florida, and all of the actions have been consolidated into one action. Although the Company intends to defend this lawsuit vigorously, the Company cannot predict the outcome of this lawsuit or the impact that this lawsuit or any other suits, claims, or investigations relating to the same subject matter may have on the Company's liquidity or financial condition.

**ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

a. The Annual Meeting of Shareholders was held on April 27, 2000.

b. The following members of the Board of Directors were elected to serve until the 2003 Annual Meeting and until their successors are elected and qualified:

	For	Against	Abstained
John H. Sykes	34,679,029	-	411,857
Furman P. Bodenheimer, Jr.	34,747,880	-	343,006
David L. Grimes	34,680,498	-	410,388

The following members of the Board of Directors whose term of office as a director continued after the meeting:

H. Parks Helms	Gordon H. Loetz
Adelaide A. Sink	Ernest J. Milani
Linda McClintock-Greco	Iain A. Macdonald

c. The proposal to approve the adoption of the Sykes Enterprises, Incorporated's 2000 Stock Option Plan was approved as follows:

For	Against	Abstained
25,367,254	2,862,648	59,765

d. Not applicable

**ITEM 5 - OTHER INFORMATION**

None



**SYKES ENTERPRISES, INCORPORATED**  
**FORM 10-Q/A**  
**FOR THE QUARTER ENDED MARCH 31, 2000**

**ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

The following document is filed as an exhibit to this Report:

**Financial Data Schedule**

(b) Reports on Form 8-K

No reports were filed on Form 8-K during the three months ended March 31, 2000.

**SYKES ENTERPRISES, INCORPORATED**  
**FORM 10-Q/A**  
**FOR THE QUARTER ENDED MARCH 31, 2000**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SYKES ENTERPRISES, INCORPORATED**  
(Registrant)

*Date: November 17, 2000*  
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*By: /s/ W. Michael Kipphut*  
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*W. Michael Kipphut*  
*Vice President and Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

**SYKES ENTERPRISES, INCORPORATED**  
**FORM 10-Q/A**  
**FOR THE QUARTER ENDED MARCH 31, 2000**

**EXHIBIT INDEX**

Exhibit Number -----		Page Number -----
27.1	Financial Data Schedule	17

## ARTICLE 5

This schedule contains summary consolidated financial information extracted from the Company's Form 10-Q/A for the three-month period ended March 31, 2000 and is qualified in its entirety by reference to such Form 10-Q/A.

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD START	JAN 01 2000
PERIOD END	MAR 31 2000
CASH	27,531,677
SECURITIES	0
RECEIVABLES	148,403,549
ALLOWANCES	2,651,770
INVENTORY	0
CURRENT ASSETS	209,512,151
PP&E	258,130,119
DEPRECIATION	111,760,093
TOTAL ASSETS	449,949,196
CURRENT LIABILITIES	100,869,420
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	430,091
OTHER SE	183,682,295
TOTAL LIABILITY AND EQUITY	449,949,196
SALES	161,311,916
TOTAL REVENUES	161,311,916
CGS	0
TOTAL COSTS	102,211,246
OTHER EXPENSES	46,915,076
LOSS PROVISION	0
INTEREST EXPENSE	1,235,732
INCOME PRETAX	10,948,962
INCOME TAX	4,248,000
INCOME CONTINUING	6,700,962
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	6,700,962
EPS BASIC	0.16
EPS DILUTED	0.16

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