

SYKES ENTERPRISES INC

FORM 8-K (Current report filing)

Filed 08/03/09 for the Period Ending 08/03/09

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 3, 2009



Sykes Enterprises, Incorporated

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction
of incorporation)

0-28274

(Commission File Number)

56-1383460

(IRS Employer Identification
No.)

400 N. Ashley Drive, Tampa, Florida

(Address of principal executive offices)

33602

(Zip Code)

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

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2009, Sykes Enterprises, Incorporated issued a press release announcing its financial results for the three and six months ended June 30, 2009. The press release is attached as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) The following exhibit is included with this Report:

Exhibit 99.1 Press release, dated August 3, 2009, announcing the financial results for the three and six months ended June 30, 2009.

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SIGNATURES

Pursuant to the requirements of the Securities and 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

By: /s/ W. Michael Kipphut
Senior Vice President and
Chief Financial Officer

Date: August 3, 2009

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release dated August 3, 2009, announcing the financial results for the three and six months ended June 30, 2009.

news release

FOR IMMEDIATE RELEASE

AUGUST 3, 2009

SYKES Enterprises, Incorporated
 Corporate Headquarters:
 400 North Ashley Drive
 Tampa, FL USA 33602
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**SYKES ENTERPRISES, INCORPORATED REPORTS
 SECOND-QUARTER 2009 FINANCIAL RESULTS**

**Higher revenues and expense control drive higher operating margins and
 above-expectation earnings per share; Raising 2009 business outlook**

TAMPA, FL — August 3, 2009 - Sykes Enterprises, Incorporated (“SYKES” or the “Company”) (NASDAQ: SYKE), a global leader in providing outsourced customer contact management solutions and services in the business process outsourcing (BPO) arena, announced today second-quarter 2009 financial results.

Second quarter 2009 Highlights

- Second quarter 2009 revenues of \$208.8 million increased \$1.2 million, or 0.6%, over the comparable quarter last year, with the strong U.S. dollar negatively impacting revenues by \$19.3 million; on a constant currency basis, comparable revenues were up 9.9%
- Compared to a revenue range of \$201 million to \$203 million provided in the Company’s second quarter 2009 business outlook, second quarter 2009 revenues of \$208.8 million included \$5.3 million of currency benefit resulting from strengthening foreign currencies against the U.S. dollar relative to the Company’s forecast
- Second quarter 2009 operating margin increased to 8.2% from 8.0% on a comparable basis; second quarter 2009 operating margins include \$1.6 million (0.8% of revenues) impairment loss on goodwill and intangibles related to the March 2005 acquisition of Kelly, Luttmner & Associates Limited (KLA) detailed in the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2009; excluding the impairment loss, the 100 basis points comparable operating margin increase was aided by revenue growth coupled with a rising capacity utilization rate related to on-going client ramp-ups, lower roadside assistance tow claims costs in Canada and lower general and administrative expenses, due partly to favorable translation of certain non-dollar denominated expenses resulting from a strong U.S. dollar
- Second quarter 2009 tax rate was 8.1% versus 17.3% in the comparable quarter last year and versus 25% provided in the Company’s second quarter 2009 business outlook; the decline in the tax rate in both cases was due to a shift in the mix of earnings, accompanied by the effects of valuation allowances
- Second quarter 2009 earnings per share were \$0.35 versus \$0.43 in the comparable quarter last year; the \$0.08 per share comparable decline reflects the net impact of higher interest and other income partially offset by a higher tax

rate in the prior year's second quarter results;

- Compared to an earnings per share range of \$0.27 to \$0.30 provided in the Company's second quarter 2009 business outlook, the \$0.05 to \$0.08 earnings per share outperformance was due to a combination of better-than-expected revenue growth and lower general and administrative expenses

Second Quarter 2009 Review

Americas

Revenues generated from the Company's Americas segment, including operations in North America and offshore (Latin America and the Asia Pacific region), increased 8.3% to \$148.9 million, or 71.3% of total revenues, for the second quarter of 2009. Revenues for the prior year period totaled \$137.5 million, or 66.2% of total revenues. The comparable revenue increase of \$11.4 million included a \$19.5 million increase in customer care demand offsetting a negative decline of \$8.1 million related to weaker currencies within the Americas region relative to the U.S. dollar. Excluding the currency impact, revenues rose 14.2% due to increased customer care demand from a combination of new programs wins with existing clients, expansion of existing programs and some new client wins across the communications, financial services and technology verticals.

The Americas income from operations for the second quarter of 2009 increased 13.2% to \$25.0 million, with an operating margin of 16.8% versus 16.1% in the comparable quarter last year. The Americas second quarter 2009 operating margin reflects the impact of an impairment loss on goodwill and intangibles related to KLA, approximately 1.1% of Americas revenues. Excluding the impairment loss, the 180 basis points comparable increase in the Americas operating margin was due to revenue growth from a rising capacity utilization rate related to on-going client ramps-ups and favorable translation of certain non-dollar denominated expenses, coupled with lower roadside assistance tow claims costs in Canada and depreciation expense.

EMEA

Revenues from the Company's Europe, Middle East and Africa (EMEA) region decreased 14.5% to \$59.9 million, representing 28.7% of total revenues for the second quarter of 2009 compared to \$70.1 million, or 33.8%, in the prior year's second quarter. The comparable revenue decrease of \$10.2 million included an \$11.2 million negative impact from the weaker Euro relative to the U.S. dollar, more than offsetting the \$1.0 million increase in customer care demand. Excluding the currency impact, the 1.5% comparable increase in customer care demand was due to expansion of existing client programs and some new client wins across the financial services and communications verticals.

The EMEA income from operations for the second quarter of 2009 decreased 56.9% to \$1.8 million, with an operating margin of 2.9% versus 5.8% in the comparable quarter last year. The 290 basis point comparable decrease in the EMEA operating margin was principally a result of negative operating leverage owing to a reduction in customer care demand due to macro-economic weakness without the commensurate reduction in labor costs.

Corporate G&A Expenses

Corporate costs remained essentially flat at \$9.7 million, or 4.6% of revenues, in the second quarter of 2009, compared to \$9.6 million, or 4.6% of revenues, in the comparable quarter last year.

Impairment Loss on Investment in SHPS

During the second quarter, the Company recorded an impairment loss on its investment in SHPS of \$2.1 million, or 1.0% of revenues. The details surrounding the SHPS impairment are included in the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 7, 2009.

Interest & Other Income and Taxes

Interest and other income for the second quarter of 2009 totaled approximately \$0.6 million compared to \$4.9 million for the same period last year. The \$4.3 million comparable decrease in interest and other income was primarily attributable to a decrease in realized and unrealized foreign currency transaction gains coupled with lower interest income resulting from lower interest rates on higher average cash balances.

The Company's second quarter 2009 effective tax rate was 8.1% versus 17.3% in the same period last year and below the 25% rate provided in the Company's second quarter 2009 business outlook. The decline in the tax rate on a comparable basis and relative to the outlook was due to a shift in the mix of earnings, accompanied by the effects of valuation allowances.

Liquidity and Capital Resources

The Company's balance sheet at June 30, 2009 remained strong with cash and cash equivalents of \$238.9 million and no outstanding debt. Approximately \$227.2 million of the Company's June 30th cash balance was held in international operations and would be subject to additional taxes if repatriated back to the U.S. At June 30, 2009, the Company also had \$50 million of capacity available under its credit facility.

Business Outlook

The Company's third-quarter and full-year 2009 business outlook reflects the following assumptions:

- Net new capacity additions of approximately 400 to 500 seats in the third quarter in addition to the net 1,050 seats added year-to-date through June 30, 2009. Given the demand within the Americas region, the Company plans to increase its net seat additions in 2009 on a consolidated basis to between 1,700 and 1,900 from its original forecast of 1,200 to 1,400. Accordingly, some ramp-related expenses associated with the seat additions are expected to continue and are anticipated to be spread throughout the second-half of 2009;
- Within the Americas region, the Company continues to experience sustained growth in customer care demand from new programs with some existing clients within the communications and financial services verticals, more than offsetting lower demand with certain existing clients due to macroeconomic weakness and certain client programs that are expiring. The EMEA region continues to experience softness in volumes coupled with some pricing pressure with certain embedded client programs primarily within the technology vertical. In addition, the Company continues to be impacted by the strength in the U.S. dollar, as highlighted in the initial 2009 business outlook, which is expected to negatively impact third quarter and full-year 2009 revenues by approximately \$10.0 million and \$50.0 million, respectively, over the comparable periods last year;
- Approximately \$0.01 earnings per share impact anticipated from the closure of a KLA administrative facility and the associated severance costs;
- Anticipated interest income of approximately \$0.5 million per quarter, which excludes the potential impact of any foreign exchange gains or losses in other income; and
- A lower estimated tax rate for the third quarter and full-year 2009 versus the 25% previously projected due to a shift in the geographic mix of earnings to lower tax rate jurisdictions with no effects of valuation allowances.

Considering the above factors, the Company anticipates the following financial results for the three months ended September 30, 2009:

- Revenues in the range of \$210 million to \$213 million
- Tax rate in the range of 20% to 22%
- EPS in the range of \$0.31 to \$0.34 per diluted share
- Capital expenditures in the range of \$7.0 million to \$9.0 million

For the twelve months ended December 31, 2009, the Company anticipates the following financial results:

- Revenues in the range of \$833 million to \$837 million
- Tax rate in the range of 18% to 20%
- EPS in the range of \$1.33 to \$1.39 per diluted share
- Capital expenditures in the range of \$30.0 million to \$33.0 million

Conference Call

The Company will conduct a conference call regarding the content of this release tomorrow, August 4, 2009 at 10:00 a.m. Eastern Daylight Savings Time. The conference call will be carried live on the Internet. Instructions for listening to the call over the Internet are available on the Investors page of SYKES' website at www.sykes.com. A replay will be available at this location for two weeks. This press release is also posted on the SYKES website at <http://investor.sykes.com/phoenix.zhtml?c=119541&p=irol-news&nyo=0>.

About Sykes Enterprises, Incorporated

SYKES is a global leader in providing customer contact management solutions and services in the business process outsourcing (BPO) arena. SYKES provides an array of sophisticated customer contact management solutions to Fortune 1000 companies around the world, primarily in the communications, financial services, healthcare, technology and transportation and leisure industries. SYKES specializes in providing flexible, high quality customer support outsourcing solutions with an emphasis on inbound technical support and customer service. Headquartered in Tampa, Florida, with customer contact management centers throughout the world, SYKES provides its services through multiple communication channels encompassing phone, e-mail, web and chat. Utilizing its integrated onshore/offshore global delivery model, SYKES serves its clients through two geographic operating segments: the Americas (United States, Canada, Latin America, India and the Asia Pacific Rim) and EMEA (Europe, Middle East and Africa). SYKES also provides various enterprise support services in the Americas and fulfillment services in EMEA, which include multi-lingual sales order processing, payment processing, inventory control, product delivery and product returns handling. For additional information please visit www.sykes.com.

Forward-Looking Statements

This press release may contain "forward-looking statements," including SYKES' estimates of future business outlook, prospects or financial results, statements regarding SYKES' objectives, expectations, intentions, beliefs or strategies, or statements containing words such as "believe," "estimate," "project," "expect," "intend," "may," "anticipate," "plans," "seeks," or similar expressions. It is important to note that SYKES' actual results could differ materially from those in such forward-looking statements, and undue reliance should not be placed on such statements. Among the important factors that could cause such actual results to differ materially are (i) the impact of economic recessions in the U.S. and other parts of the world, (ii) fluctuations in global business conditions and the global economy, (iii) SYKES' ability to continue the growth of its support service revenues through additional technical and customer contact centers, (iv) currency fluctuations, (v) the timing of significant orders for SYKES' products and services, (vi) loss or addition of significant clients, (vii) the early termination of contracts by clients, (viii) SYKES' ability to recognize deferred

revenue through delivery of products or satisfactory performance of services, (ix) construction delays of new or expansion of existing customer support centers, (x) difficulties or delays in implementing SYKES' bundled service offerings, (xi) failure to achieve sales, marketing and other objectives, (xii) variations in the terms and the elements of services offered under SYKES' standardized contract including those for future bundled service offerings, (xiii) changes in applicable accounting principles or interpretations of such principles, (xiv) delays in the Company's ability to develop new products and services and market acceptance of new products and services, (xv) rapid technological change, (xvi) political and country-specific risks inherent in conducting business abroad, (xvii) SYKES' ability to attract and retain key management personnel, (xviii) SYKES' ability to further penetrate into vertically integrated markets, (xix) SYKES' ability to expand its global presence through strategic alliances and selective acquisitions, (xx) SYKES' ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xxi) the ultimate outcome of any lawsuits or penalties (regulatory or otherwise), (xxii) SYKES' dependence on trends toward outsourcing, (xxiii) risk of interruption of technical and customer contact management center operations due to such factors as fire, earthquakes, inclement weather and other disasters, power failures, telecommunications failures, unauthorized intrusions, computer viruses and other emergencies, (xxiv) the existence of substantial competition, (xxv) the ability to obtain and maintain grants and other incentives, including tax holidays or otherwise, and (xxvi) other risk factors listed from time to time in SYKES' registration statements and reports as filed with the Securities and Exchange Commission. All forward-looking statements included in this press release are made as of the date hereof, and SYKES undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events, or otherwise.

For additional information contact:

Subhaash Kumar
Sykes Enterprises, Incorporated
(813) 233-7143

Sykes Enterprises, Incorporated
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Three Months Ended	
	June 30,	June 30,
	2009	2008
Revenues	\$ 208,839	\$ 207,629
Direct salaries and related costs	(133,727)	(133,708)
General and administrative	(56,477)	(57,355)
Canada's KLA Impairment	(1,584)	—
Income from operations	17,051	16,566
Other income, net	643	4,866
SHPS Impairment	(2,089)	—
Income before provision for income taxes	15,605	21,432
Provision for income taxes	(1,257)	(3,703)
Net income	<u>\$ 14,348</u>	<u>\$ 17,729</u>
Net income per basic share	\$ 0.35	\$ 0.44
Shares outstanding, basic	40,654	40,599
Net income per diluted share	\$ 0.35	\$ 0.43
Shares outstanding, diluted	40,953	40,953

Sykes Enterprises, Incorporated
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

	Six Months Ended	
	June 30, 2009	June 30, 2008
Revenues	\$ 412,080	\$ 411,350
Direct salaries and related costs	(263,980)	(264,688)
General and administrative	(111,965)	(113,779)
Canada's KLA Impairment	(1,584)	—
Income from operations	34,551	32,883
Other income, net	2,200	7,117
SHPS Impairment	(2,089)	—
Income before provision for income taxes	34,662	40,000
Provision for income taxes	(5,544)	(6,561)
Net income	<u>\$ 29,118</u>	<u>\$ 33,439</u>
Net income per basic share	\$ 0.72	\$ 0.82
Shares outstanding, basic	40,632	40,545
Net income per diluted share	\$ 0.71	\$ 0.82
Shares outstanding, diluted	40,999	40,860

Sykes Enterprises, Incorporated
Segment Results
(in thousands)
(Unaudited)

	Three Months Ended	
	June 30, 2009	June 30, 2008
Revenues:		
Americas	\$148,935	\$137,539
EMEA	59,904	70,090
Total	<u>\$208,839</u>	<u>\$207,629</u>
Operating Income:		
Americas	\$ 24,998	\$ 22,081
EMEA	1,752	4,063
Corporate G&A expenses	(9,699)	(9,578)
Income from operations	17,051	16,566
SHPS Impairment	(2,089)	—
Other income, net	643	4,866
Provision for income taxes	(1,257)	(3,703)
Net income	<u>\$ 14,348</u>	<u>\$ 17,729</u>
	Six Months Ended	
	June 30, 2009	June 30, 2008
Revenues:		
Americas	\$291,742	\$274,896
EMEA	120,338	136,454
Total	<u>\$412,080</u>	<u>\$411,350</u>
Operating Income:		
Americas	\$ 48,376	\$ 43,943
EMEA	6,411	8,683
Corporate G&A expenses	(20,236)	(19,743)
Income from operations	34,551	32,883
SHPS Impairment	(2,089)	—
Other income, net	2,200	7,117
Provision for income taxes	(5,544)	(6,561)
Net income	<u>\$ 29,118</u>	<u>\$ 33,439</u>

Sykes Enterprises, Incorporated
Condensed Consolidated Balance Sheets
(in thousands)

	<u>June 30, 2009</u> (Unaudited)	<u>December 31, 2008</u>
Assets:		
Current assets	\$ 425,968	\$ 396,518
Property and equipment, net	81,223	80,390
Other noncurrent assets	47,576	52,634
Total assets	<u>\$ 554,767</u>	<u>\$ 529,542</u>
Liabilities & Shareholders' Equity:		
Current liabilities	\$ 114,915	\$ 126,110
Noncurrent liabilities	21,418	19,402
Shareholders' equity	418,434	384,030
Total liabilities and shareholders' equity	<u>\$ 554,767</u>	<u>\$ 529,542</u>

Sykes Enterprises, Incorporated
Supplementary Data

	<u>Q2 2009</u>	<u>Q2 2008</u>
Geographic Mix (% of Total Revenues):		
Americas ⁽¹⁾	71.3%	66.2%
Europe, Middle East & Africa (EMEA)	28.7%	33.8%
Total:	100.0%	100.0%

⁽¹⁾ Includes the United States, Canada, Latin America and the Asia Pacific (APAC) Region. Latin America and APAC are included in the Americas due to the nature of the business and client profile, which is primarily made up of U.S. based clients.

	<u>Q2 2009</u>	<u>Q2 2008</u>
Vertical Industry Mix (% of Total Revenues):		
Communications	36%	28%
Technology / Consumer	30%	34%
Financial Services	15%	14%
Transportation & Leisure	9%	10%
Healthcare	6%	6%
Other	4%	8%
Total:	100%	100%

Sykes Enterprises, Incorporated
Cash Flow from Operations
(in thousands)
(Unaudited)

	Three Months Ended	
	June 30,	June 30,
	2009	2008
Cash Flow From Operating Activities:		
Net income	\$ 14,348	\$ 17,729
Depreciation and amortization	7,162	7,177
Changes in assets and liabilities and other	3,933	5,011
Net cash provided by operating activities	<u>\$ 25,443</u>	<u>\$ 29,917</u>
Capital expenditures	\$ 7,251	\$ 8,185
Cash interest paid	\$ 560	\$ 153
Cash taxes paid	\$ 2,722	\$ 5,913
	Six Months Ended	
	June 30,	June 30,
	2009	2008
Cash Flow From Operating Activities:		
Net income	\$ 29,118	\$ 33,439
Depreciation and amortization	13,938	14,196
Changes in assets and liabilities and other	(9,567)	(16,682)
Net cash provided by operating activities	<u>\$ 33,489</u>	<u>\$ 30,953</u>
Capital expenditures	\$ 18,308	\$ 16,248
Cash interest paid	\$ 630	\$ 220
Cash taxes paid	\$ 6,274	\$ 9,974