SYKES ENTERPRISES INC

FORM 8-K
(Current report filing)

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

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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): May 3, 2004

Sykes Enterprises, Incorporated

(Exact name of registrant as specified in its charter)

Florida	0-28274	56-1383460
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

400 N. Ashley Drive, Tampa, Florida 33602

(Address of principal executive offices, including zip code)

(813) 274-1000

(Registrant's telephone number, including area code)

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Item 12. Disclosure of Results of Operations and Financial Condition

On August 2, 2004, Sykes Enterprises, Incorporated (the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2004. The press release is attached as Exhibit 99.1.

Also, on May 3, 2004, the Company issued a press release announcing its financial results for the quarter ended March 31, 2004. The press release is attached as Exhibit 99.2.

On May 4, 2004, the Company held a conference call which was webcast to the public in which management discussed the financial results for the quarter ended March 31, 2004. A transcript of the call is attached as Exhibit 99.3.

Exhibit 99.1	Press release, dated August 2, 2004, announcing the financial results for the quarter ended June 30, 2004.
Exhibit 99.2	Press release, dated May 3, 2004, announcing the financial results for the quarter ended March 31, 2004.
Exhibit 99.3	Transcript of May 4, 2004 conference call.

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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
W. Michael Kipphut
Group Executive, Senior Vice President - Finance

Date: August 2, 2004

Exhibit Index

Exhibit No.	Description
99.1	Press release, dated August 2, 2004, announcing the financial results for the quarter ended June 30, 2004.
99.2	Press release, dated May 3, 2004, announcing the financial results for the quarter ended March 31, 2004.
99.3	Transcript of May 4, 2004 conference call.

Exhibit 99.1

News Release

news release

FOR IMMEDIATE RELEASE **AUGUST 2, 2004**

SYKES ENTERPRISES, INCORPORATED REPORTS SECOND QUARTER 2004 FINANCIAL RESULTS

TAMPA, FL - August 2, 2004 - 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, today announced financial results for the second quarter of 2004, highlights of which are as follows:

- Revenues of $113.4 million; net income of $0.03 per diluted share
- Growing volumes offshore and U.S. site cost reductions drove Americas' operating margins sequentially higher
- Higher call volumes and site cost reductions in EMEA supported sequential margin improvement
- Repurchased approximately 1 million shares through authorized stock buyback program; ended quarter with $70.6 million in cash and cash equivalents

Operating Performance by Segment

Americas

On a geographic basis, revenues generated from the Company's clients in the Americas segment, including operations in North America and offshore (Latin America, India and the Asia Pacific Rim), totaled $68.2 million, or 60.1% of total revenues, for the second quarter of 2004. This compared to revenues of $79.9 million, or 67.2% of total revenues, for the prior year period. The decline primarily reflected the continued client-migration of call volumes from the U.S. to SYKES' offshore operations and the resulting mix-shift in revenues from the U.S. to offshore, which began in late 2003 (each offshore seat generates roughly half the dollar equivalence of a U.S. seat). Sequentially, the Americas' revenues declined 9.3% to $68.2 million from $75.3 million. The decline primarily reflects the shift in revenues resulting from the migration of one of our largest client's call volumes offshore, which will substantially be completed by the third quarter.

The Americas' operating margin for the second quarter of 2004 was 6.9% compared to 11.3% in the second quarter of 2003. The second quarter operating margin included a $1.5 million pre-tax gain on the sale of a facility. The decline in the Americas' operating margin was primarily attributable to higher costs associated with the build-out offshore related to the migration of call volumes and certain duplicative costs as the Company simultaneously ramps-down centers in the U.S. On a sequential basis, the operating margin improved to 6.9% from 4.5% in the first quarter of 2004, including facility sales in both periods. The improvement was attributable to rising call volumes offshore combined with certain reductions in U.S. site G&A expenses, as the under utilized capacity is reduced. As part of the on-going migration of call-volumes offshore, the Company continues to rationalize underutilized U.S. centers in order to improve capacity utilization and bring its costs base into line.

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EMEA

Revenues from the Company's Europe, Middle East and Africa (EMEA) region rose 15.9% to $45.2 million, representing 39.9% of SYKES' total revenues for the second quarter of 2004 compared to $39.0 million, or 32.8%, in the prior year. EMEA revenues included approximately $0.8 million associated with the recognition of deferred revenues related to a former client. Similar to recent quarters, SYKES' second quarter 2004 EMEA revenues experienced a $2.6 million benefit from the stronger Euro compared with the same period of the prior year. Excluding this foreign currency benefit, EMEA revenues for the second quarter of 2004 would have increased $3.6 million, reflecting an improvement in call volumes. Sequentially, EMEA revenues declined 1.2% to $45.2 million compared to $45.8 down in the first quarter of 2004. The decline was attributable to a $1.7 million sequential decline in the Euro, partially offset by a $1.1 million increase in call volumes.

The operating margin for EMEA in the second quarter of 2004 was 3.4% compared to a breakeven in the prior year period. The year-over-year margin improvement was due to the Company's focused efforts to realign EMEA's cost structure with current business levels. Sequentially, the EMEA operating margin improved to 3.4% from 2.5%. The higher margin was attributable to the cost reductions noted above, higher call volumes and the recognition of deferred revenues related to a former client, partially offset by approximately ($0.9) million in termination costs associated with the closure of several underutilized customer contact management centers. The center closures were completed during the second quarter of 2004.

Corporate Costs, Other Income and Taxes

Corporate costs totaled $6.6 million in the second quarter of 2004, a rise from $5.6 million in the prior year period. The increase was due to the strengthening of the management team and higher compliance costs related to Sarbanes-Oxley.

Other income for the second quarter of 2004 rose to $1.9 million compared to $0.4 million for the same period in the prior year. The year-over-year increase was primarily related to favorable translation gain on the liquidation of a foreign entity and interest income associated with a foreign income tax refund.

The second quarter 2004 tax provision reflects tax benefits for operations in tax-free jurisdictions and current quarter adjustments. In addition, a valuation allowance was created for the tax benefit of the current year U.S. tax loss. With respect to the second half of 2004, it is not practical to provide a meaningful effective tax rate percentage due to the current year U.S. valuation allowance coupled with the mix of income among international jurisdictions.

Net Income

Net income for the second quarter of 2004 totaled $1.1 million, or $0.03 per diluted share, compared to $2.6 million, or $0.06 per diluted share for the prior year quarter.

Net income for the six months ended June 30, 2004 totaled $1.3 million, or $0.03 per diluted share, compared to $2.7 million, or $0.07 per diluted share for the prior year period. Results for the six months ended June 30, 2004 included pre-tax gains of $4.3 million primarily related to the sale of two U.S. customer contact management centers and ($1.7) million in pre-tax charges associated with the closure of underutilized customer contact management centers in EMEA.

Liquidity and Capital Resources

The Company's balance sheet at June 30, 2004 remained strong with cash and cash equivalents of $70.6 million and no outstanding debt. Approximately $61.0 million of the Company's June 30th cash balance was held in international operations and may be subject to additional taxes if repatriated to the U.S. The Company intends to reinvest this cash into its international operations. At June 30, 2004, the Company also had $50 million available under its current credit facility.

Separately, for the three months ended June 30, 2004, the Company used approximately $1.5 million in cash flow from operations. During the second quarter of 2004, the Company repurchased approximately one million shares of stock for $6.1 million, with an average share price of $6.41. The Company has approximately 1.4 million shares remaining in its Board authorized stock repurchase program.

Business Outlook

During the third quarter of 2004, SYKES will selectively unwind certain support programs and evaluate accounts that do not meet its growth and returns criteria. Currently, these programs are in the transportation & leisure vertical and constitute approximately one percent of total annual revenues. SYKES recently announced the mutual dissolution of a customer support program in India with Delta Air Lines. Separately, the recent announcements by two leading long-distance carriers and various competitive local exchange carriers (CLEC) to essentially exit the consumer long-distance business related to the UNE-P (Unbundled Network Element Platform) ruling began impacting SYKES' existing and new business within the telecommunications vertical.

"We expect to complete the migration of call volumes for one of our largest clients by the end of the third quarter. Even as we see improving call volumes combined with site cost reductions both offshore and in Europe, we continue to see an evolving and dynamic marketplace. Factors such as uncertainty surrounding call volumes associated with our communications clients, the unwinding of certain support programs in the transportation and leisure vertical, additional rationalization of underutilized assets, external economic events impacting interest-rate sensitive sectors, costs associated with Chairman and CEO succession and higher costs in the range of $1.5 to $2.0 million associated with Sarbanes-Oxley that are anticipated over the next two quarters are prompting us to revise our year-end 2004 business outlook," remarked Chuck Sykes, President and Chief Executive Officer of Sykes Enterprises.

Taking the above factors into consideration, the Company anticipates the following financial results for the three months ended September 30, 2004:

- Revenues in the range of $105 million to $110 million
- EPS loss in the range of a ($0.10) to ($0.07) per share
- Expected pre-tax gain of approximately $2.8 million on contact management center sale
- Capital expenditures in the range of $5 million to $8 million

For the full-year 2004, the Company anticipates the following financial results:

- Revenues in the range of $450 million to $460 million
- EPS in the range of $0.01 to $0.04 per diluted share
- Expected pre-tax gain of approximately $7.1 million on contact management center sales
- Capital expenditures in the range of $20 million to $25 million

Conference Call

The Company will conduct a conference call regarding the content of this release tomorrow, August 3, 2004 at 10:00 a.m. Eastern 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 Investors section of SYKES' website at www.sykes.com/english/investors.asp under the heading "Investor Newsroom - Press Releases."