

SYKES ENTERPRISES INC

FORM 10-Q (Quarterly Report)

Filed 08/13/99 for the Period Ending 06/30/99

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 (Quarterly Report)

Filed 8/13/1999 For Period Ending 6/30/1999

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

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 1999

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
(State or other jurisdiction of
incorporation or organization)

56-1383460
(I.R.S. 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:

Common stock, \$0.01 Par Value, 42,307,237 shares as of August 10, 1999

PART I

Item 1 - Financial Statements

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS

	December 31, 1998	June 30, 1999
	-----	-----
ASSETS		(Unaudited)
Current assets		
Cash and cash equivalents.....	\$ 36,348,863	\$ 32,283,256
Restricted cash.....	11,090,890	9,389,887
Receivables.....	113,840,262	123,466,507
Prepaid expenses and other current assets.....	15,861,742	18,451,662
	-----	-----
Total current assets.....	177,141,757	183,591,312
Property and equipment, net.....	99,176,512	117,355,063
Marketable securities.....	199,875	497,474
Intangible assets, net.....	75,132,011	71,260,956
Deferred charges and other assets.....	13,484,146	14,939,097
	-----	-----
	\$ 365,134,301	\$ 387,643,902
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current installments of long-term debt.....	\$ 3,983,239	\$ 945,612
Accounts payable.....	30,086,549	24,165,195
Income taxes payable.....	10,549,623	17,170,633
Accrued employee compensation and benefits.....	19,144,242	22,110,528
Customer deposits.....	10,978,868	7,000,814
Other accrued expenses and current liabilities.....	17,194,752	16,238,919
	-----	-----
Total current liabilities.....	91,937,273	87,631,701
Long-term debt.....	75,448,202	75,288,157
Deferred grants.....	15,434,676	19,557,582
Deferred revenue.....	14,707,773	19,165,485
Other long-term liabilities.....	2,668,895	1,831,032
	-----	-----
Total liabilities.....	200,196,819	203,473,957
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; 41,451,905 and 42,281,197 issued and outstanding.....	414,519	422,812
Additional paid-in capital.....	136,199,748	139,086,388
Retained earnings.....	29,730,975	51,207,785
Accumulated other comprehensive income.....	(1,407,760)	(6,547,040)
	-----	-----
Total shareholders' equity.....	164,937,482	184,169,945
	-----	-----
	\$ 365,134,301	\$ 387,643,902
	=====	=====

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
Six and Three Months Ended June 30, 1998 and 1999
(Unaudited)

	Six Months Ended June 30,		Three Months Ended June 30,	
	1998	1999	1998	1999
Revenues.....	\$ 208,754,967	\$ 282,485,530	\$ 110,667,010	\$ 146,107,625
Operating expenses				
Direct salaries and related costs.....	129,928,228	172,184,824	68,767,861	88,937,915
General and administrative.....	55,108,246	73,827,628	28,789,269	37,550,837
Total operating expenses	185,036,474	246,012,452	97,557,130	126,488,752
Income from operations.....	23,718,493	36,473,078	13,109,880	19,618,873
Other income (expense)				
Interest, net.....	219,012	(1,535,254)	184,339	(876,410)
Net income (loss) from joint venture.....	(3,845,149)	-	20,000	-
Other.....	(24,585)	97,080	(16,124)	13,128
Total other expense.....	(3,650,722)	(1,438,174)	188,215	(863,282)
Income before income taxes..	20,067,771	35,034,904	13,298,095	18,755,591
Provision for income taxes..	8,864,116	13,558,094	4,997,106	7,258,000
Net income.....	\$ 11,203,655	\$ 21,476,810	\$ 8,300,989	\$ 11,497,591
Net income per share				
Basic.....	\$ 0.27	\$ 0.51	\$ 0.20	\$ 0.27
Diluted.....	\$ 0.27	\$ 0.50	\$ 0.20	\$ 0.27
Shares outstanding				
Basic.....	41,156,997	41,770,792	41,193,572	42,082,738
Diluted.....	42,219,645	42,960,598	42,220,479	43,096,854

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at January 1, 1998	41,119,626	\$411,196	\$133,592,337	\$22,151,352	\$(3,594,665)	\$152,560,220
Issuance of common stock	216,586	2,166	804,599	-	-	806,765
Tax effect of non-qualified exercise of stock options	-	-	1,150,500	-	-	1,150,500
Distributions	-	-	-	(351,268)	-	(351,268)
Net income	-	-	-	11,203,655	-	11,203,655
Unrealized loss on securities	-	-	-	-	(2,340,847)	(2,340,847)
Foreign currency translation adjustment	-	-	-	-	(1,575,155)	(1,575,155)
Comprehensive income						7,287,653
Balance at June 30, 1998 (unaudited)	41,336,212	413,362	135,547,436	33,003,739	(7,510,667)	161,453,870
Issuance of common stock	115,693	1,157	268,812	-	-	269,969
Tax-effect of non-qualified exercise of stock options	-	-	383,500	-	-	383,500
Distributions	-	-	-	(347,108)	-	(347,108)
Net loss	-	-	-	(2,925,656)	-	(2,925,656)
Recognition of write-down on marketable securities	-	-	-	-	3,075,365	3,075,365
Foreign currency translation adjustment	-	-	-	-	3,027,542	3,027,542
Comprehensive income						3,177,251
Balance at December 31, 1998	41,451,905	414,519	136,199,748	29,730,975	(1,407,760)	164,937,482
Issuance of common stock	829,292	8,293	2,886,640	-	-	2,894,933
Net income	-	-	-	21,476,810	-	21,476,810
Foreign currency translation adjustment	-	-	-	-	(5,139,280)	(5,139,280)
Comprehensive income						16,337,530
Balance at June 30, 1999 (unaudited)	42,281,197	\$422,812	\$139,086,388	\$51,207,785	\$(6,547,040)	\$184,169,945

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 1998 and 1999
(Unaudited)

	1998	1999
Cash flows from operating activities		
Net income.....	\$ 11,203,655	\$ 21,476,810
Depreciation and amortization.....	7,478,212	16,388,254
Acquired in-process research and development cost.....	3,845,149	-
Deferred income taxes.....	(284,956)	(1,589,808)
Gain on disposal of property and equipment.....	(86,738)	-
Changes in assets and liabilities		
Receivables.....	(15,814,085)	(9,907,221)
Prepaid expenses and other current assets.....	(1,600,204)	(2,730,341)
Deferred charges and other assets.....	(2,419,675)	732,716
Accounts payable.....	3,235,683	(5,920,941)
Income taxes payable.....	4,263,284	6,620,597
Accrued employee compensation and benefits.....	6,339,718	2,966,286
Customer deposits, net of restricted cash.....	-	(2,277,051)
Other accrued expenses and current liabilities.....	1,252,518	(953,735)
Deferred revenue.....	-	4,457,712
Other long-term liabilities.....	-	(837,866)
	17,412,561	28,425,412
Cash flows from investing activities		
Capital expenditures.....	(12,464,312)	(30,949,736)
Investment in joint venture.....	(10,387,208)	-
Proceeds from sale (purchase of) of marketable securities.....	1,000,000	(297,599)
Proceeds from sale of property and equipment.....	37,406	-
	(21,814,114)	(31,247,335)
Cash flows from financing activities		
Paydowns under revolving line of credit agreements.....	(654,016)	(40,000,000)
Borrowings under revolving line of credit agreements....	713,638	40,000,000
Proceeds from issuance of stock.....	1,957,265	2,894,933
Proceeds from grants.....	89,585	4,198,335
Payment of long-term debt.....	(35,852,141)	(3,197,672)
Distributions.....	(698,374)	-
	(34,444,043)	3,895,596
Adjustments for foreign currency translation.....	(1,575,155)	(5,139,280)
Net decrease in cash and cash equivalents.....	(40,420,751)	(4,065,607)
Cash and cash equivalents - beginning.....	75,308,505	36,348,863
Cash and cash equivalents - ending.....	\$ 34,887,754	\$ 32,283,256
	=====	=====

See accompanying notes to consolidated financial statements.

SYKES ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 1998 and June 30, 1999

(Unaudited)

Sykes Enterprises, Incorporated and consolidated subsidiaries (the "Company") provides integrated information technology outsourcing services including information technology support services, information technology development services and solutions, on-line clinical managed care services, medical protocol products, employee benefit administration and support services, and customer product services. The Company's services are provided to a wide variety of industries.

The accompanying unaudited condensed 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 six and three-month periods ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and notes thereto as of and for the year ended December 31, 1998 included in the Company's Form 10-K dated December 31, 1998 as filed with the United States Securities and Exchange Commission ("SEC") on March 29, 1999.

Note 1 - Acquisitions and Mergers

Effective September 1, 1998 the Company acquired the remaining 50% of outstanding common stock of SHPS, Incorporated ("SHPS") (formally known as Sykes HealthPlan Services, Inc.) for approximately \$28.1 million plus the assumption of SHPS' debt. This purchase price was primarily financed through borrowings under the Company's credit facility.

This acquisition was accounted for utilizing the purchase method of accounting and accordingly, SHPS' results of operations for the six and three months ended June 30, 1999 have been included in the accompanying financial statements. The purchase price has been allocated to the assets and liabilities of SHPS based upon fair values at the date of acquisition. The allocations were based on appraisals, evaluations, estimations and other studies.

The Company adjusted the amounts originally allocated to net loss from joint venture to reflect the methodology set forth in the September 15, 1998 letter from the SEC Staff to the American Institute of Certified Public Accountants ("AICPA"). The letter sets forth the SEC's views regarding the valuation methodology to be used in allocating a portion of the purchase price to acquired in-process research and development at the date of acquisition. As a result of the revised valuation, the Company's financial statements for the six months ended June 30, 1998 have been restated to reduce the amount of acquired in-process research and development charges incurred by SHPS and the resulting impact on the Company's proportionate share of the adjustment.

On November 27, 1998, the Company acquired all of the stock of TAS GmbH Nord Telemarketing und Vertriebsberatung ("TAS III") of Hannover, Germany, in exchange for

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 1999 and June 30, 1998

(Unaudited)

Note 1 - Acquisitions and Mergers, continued

587,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. TAS III provides technical call center support and customer care services, database development and consulting services to customers in Germany.

On December 29, 1998, the Company acquired all of the stock of Oracle Service Networks Corporation ("Oracle") in exchange for 1,475,000 shares of the Company's common stock. The Company accounted for the acquisition utilizing the pooling-of-interests method of accounting. Oracle provides call center support and customer care services to various customers in North America, as well as demand management services for the Canadian provincial health care system.

The above transactions, excluding SHPS, have been accounted for as pooling-of-interests and, accordingly, the consolidated financial statements for the periods presented have been restated to include the accounts of TAS III and Oracle. Separate results of operations for the period prior to the mergers with TAS III and Oracle are outlined below.

	Six months ended June 30, 1998	Three months ended June 30, 1998
	-----	-----
Revenues:		
Sykes.....	\$ 189,961,220	\$ 100,811,896
TAS III.....	3,564,788	1,800,474
Oracle.....	15,228,959	8,054,640
	-----	-----
Combined	\$ 208,754,967	\$ 110,667,010
	=====	=====
Net income:		
Sykes (1).....	\$ 10,590,938	\$ 7,912,595
TAS III.....	141,329	70,624
Oracle.....	471,388	317,770
	-----	-----
Combined	\$ 11,203,655	\$ 8,300,989
	=====	=====
Other changes in shareholders' equity:		
Sykes.....	\$ (3,517,071)	\$ 31,572
TAS III	-	-
Oracle.....	(351,268)	(351,268)
	-----	-----
Combined.....	\$ (3,868,339)	\$ (319,696)
	=====	=====

(1) The Company has restated its financial statements for the three-month period ended March 31, 1998 to reflect the methodology as set forth in the September 15, 1998 letter from the SEC Staff to the AICPA regarding acquired in-process research and development charges.

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 1999 and June 30, 1998

(Unaudited)

Note 2 - Commitments and Contingencies

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.

Note 3 - Accumulated Other Comprehensive Income

Effective January 1, 1998 the Company adopted Statement of Financial Accounting Standard No. 130 "Reporting Comprehensive Income" which requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in the financial statements. The components of other comprehensive income are as follows:

	Foreign Currency Translation -----	Accumulated Other Comprehensive Income -----
Balance at December 31, 1998.....	\$(1,407,760)	\$ (1,407,760)
Foreign currency translation adjustment.....	(5,139,280) -----	(5,139,280) -----
Balance at June 30, 1999 (unaudited).....	\$(6,547,040) =====	\$ (6,547,040) =====

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

SYKES ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Six months ended June 30, 1999 and June 30, 1998

(Unaudited)

Note 4 - 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 dilution, if not anti-dilutive, from stock options using the treasury stock method.

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	----- 1998	----- 1999	----- 1998	----- 1999
	-----	-----	-----	-----
Basic:				
Weighted average common outstanding.	41,156,997	41,770,792	41,193,572	42,082,738
Total basic. shares outstanding....	-----	-----	-----	-----
	41,156,997	41,770,792	41,193,572	42,082,738
Diluted:				
Dilution of stock options.....	1,062,648	1,189,806	1,026,907	1,014,116
Total diluted. shares outstanding..	-----	-----	-----	-----
	=====	=====	=====	=====

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, 1998 Consolidated Financial Statements, including the notes thereto. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. 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.

Financial Condition

The Company's primary sources of liquidity are equity offerings, cash flows from operations and available borrowings under its credit facility. The Company has utilized these sources to make additional capital expenditures associated primarily with its technical support services, to repay debt associated with entities it has acquired subsequent to the public offerings, and for working capital and general corporate purposes. In addition, the Company intends future uses of its sources of liquidity to include the aforementioned and possible additional acquisitions. The Company invests any excess funds in short-term, investment-grade securities or money market instruments.

During the six-month period ended June 30, 1999, the Company generated approximately \$28.4 million in cash from operations. The Company utilized these funds and certain of its available cash and credit facility to fund \$3.2 million of debt repayment, net of additional borrowings, and \$30.9 million of capital expenditures. The debt repayments were associated with assumed debt levels resulting from an acquisition the Company completed during 1998. The capital expenditures were predominately the result of the Company's continued expansion, both domestically and internationally, in providing technical product support services. The Company has recently announced the construction of additional call centers in Pikesville and Hazard, Kentucky and has ongoing construction in Scottsbluff, Nebraska, and Ed, Sweden, and anticipates that these new facilities will become operational during 1999.

The Company believes that its accessible funds under its credit facilities and cash flows from operations will be adequate to meet its 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.

Results of Operations

Six Months Ended June 30, 1999, Compared to Six Months Ended June 30, 1998

For the six months ended June 30, 1999, the Company recorded consolidated revenues of \$282.5 million, an increase of \$73.7 million or 35.3%, from the \$208.8 million of consolidated revenues for the comparable period during 1998. This growth in revenue was the result of a \$96.5 million or 85.5% increase in technical support services, an increase of \$1.5 million from customer product services, offset by a decrease of \$24.3 million from information technology services and solutions.

The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period and the resultant increase in call volumes from clients, and the inclusion of SHPS' revenue generated for the first half of 1999. Subsequent to the first six months of 1998, the Company opened four domestic and one international IT call centers, and expanded its call center in Sveg, Sweden. The increase in customer product services revenue for the six months ended June 30, 1999 was primarily attributable to the Company's e-commerce initiatives. The

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

decrease in information technology services and solutions revenues was attributable to a decrease in license fees and royalties associated with the Company's technology applications, and to a decline in language translation and localization services, when compared to the comparable period in 1998.

Direct salaries and related costs increased approximately \$42.3 million or 32.5% to \$172.2 million for the six-month period in 1999 from the comparable period in 1998. As a percentage of revenues, however, direct salaries and related costs decreased to approximately 61.0% in 1999 from approximately 62.2% for the comparable period in 1998. The increase in the amount of direct salaries and related costs was primarily attributable to the addition of personnel to support revenue growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base and the continued change in the Company's mix of business reflecting the growth of technical support services as a percentage of consolidated results.

General and administrative expenses increased approximately \$18.7 million or 34.0% to \$73.8 million for the six-month period in 1999 from the comparable period in 1998. As a percentage of revenues, however, general and administrative expenses decreased to 26.1% in 1999 from 26.4% for the comparable period in 1998. The increase in the amount of general and administrative expenses was primarily attributable to the addition of management, sales and administrative personnel to support the Company's growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

Interest and other expense was \$1.4 million during the first six months of 1999, compared to \$3.7 million during the comparable 1998 period, inclusive of an \$3.8 million net loss from joint venture. The net loss from the joint venture was attributable to acquisition-related in-process research and development costs associated with acquisitions completed by the joint venture, which was recorded as other expense. The increase in interest and other expense for the six-month period exclusive of the net loss from joint venture was primarily attributable to an increase in the Company's debt position as a result of the acquisition of SHPS completed during 1998.

The provision for income taxes increased \$4.7 million to \$13.6 million for the six-month period in 1999 from the comparable period in 1998. As a percentage of revenue, the provision for income taxes increased to 4.8% during the 1999 period when contrasted to approximately 4.2% for the comparable 1998 period. The increase was attributable to the increase of income before income taxes and to an increase in income before income taxes as a percentage of revenue. The Company's effective tax rate was 38.7% for 1999 compared to 37.1% for the comparable 1998 period, excluding the effect of one-time charges, primarily as a result of non-deductible expenses which consisted primarily of goodwill amortization.

Three Months Ended June 30, 1999, Compared to Three Months Ended June 30, 1998

For the three months ended June 30, 1999, the Company recorded consolidated revenues of \$146.1 million, an increase of \$35.4 million or 32.0%, from the \$110.7 million of consolidated revenues for the comparable period during 1998. This growth in revenue was the result of a \$50.8 million or 86.3% increase in technical support services, and an increase of \$3.3 million from customer product services, offset by a decrease of \$18.6 million from information technology services and solutions.

The increase in information technology support services revenues was primarily attributable to an increase in the number of IT call centers providing services throughout the period and the resultant increase in call volumes from clients, and the inclusion of SHPS' revenue generated for the second quarter of 1999. Subsequent to the second quarter of 1998, the Company opened four domestic and one international IT call centers, and expanded its call center in Sveg, Sweden. The increase in customer product services revenue for the three months ended June 30, 1999 was primarily attributable to the Company's e-commerce initiatives. The decrease in information technology services and solutions revenues was attributable to a decrease in license fees and royalties associated with the Company's technology applications, and to a decline in language translation and localization services, when compared to the comparable period in 1998.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Direct salaries and related costs increased approximately \$20.2 million or 29.3% to \$88.9 million for the three-month period in 1999 from the comparable period in 1998. As a percentage of revenues, however, direct salaries and related costs decreased to approximately 60.9% in 1999 from approximately 62.1% for the comparable period in 1998. The increase in the amount of direct salaries and related costs was primarily attributable to the addition of personnel to support revenue growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base and the continued change in the Company's mix of business reflecting the growth of technical support services as a percentage of consolidated results.

General and administrative expenses increased approximately \$8.8 million or 30.4% to \$37.6 million for the three month period in 1999 from the comparable period in 1998. As a percentage of revenues, however, general and administrative expenses decreased to 25.7% in 1999 from 26.0% for the comparable period in 1998. The increase in the amount of general and administrative expenses was primarily attributable to the addition of management, sales and administrative personnel to support the Company's growth. The decrease as a percentage of revenues resulted from economies of scale associated with spreading costs over a larger revenue base.

Interest and other expense was \$0.9 million during the three-month period of 1999, compared to interest and other income of \$0.2 million during the comparable 1998 period. The increase in interest and other expense for the three-month period was primarily attributable to an increase in the Company's debt position as a result of the acquisition of SHPS completed during 1998.

The provision for income taxes increased \$2.3 million to \$7.3 million for the three-month period in 1999 from the comparable period in 1998. As a percentage of revenue, the provision for income taxes increased to 5.0% during the 1999 period when contrasted to approximately 4.5% for the comparable 1998 period. The increase was attributable to the increase of income before income taxes and to an increase in income before income taxes as a percentage of revenue. The Company's effective tax rate was 38.7% for 1999 compared to 37.6% for the comparable 1998 period, primarily as a result of non-deductible expenses which consisted primarily of goodwill amortization.

Quantitative and Qualitative Disclosure

The Company's earnings and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Movements in foreign 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 foreign exchange derivative instruments to manage its exposure to changes in foreign currency exchange rates.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Year 2000

Introduction

The Year 2000 issue is the result of computer software programs being written using two digits rather than four to define the applicable year. Therefore, these computer programs do not properly recognize a year that begins with "20" instead of the familiar "19". To the extent the Company's software applications contain source codes that are unable to appropriately interpret the calendar year 2000, some level of modification or even possibly replacement of such applications may be necessary.

Description of Areas of Impact and Risk

During late 1997, the Company initiated the process of reviewing its existing software programs to determine the potential exposure and amount of resources that may be needed to become Year 2000 compliant. Based on this review, the Company has experienced very few problems related to Year 2000 testing and those identified have been resolved in the Company's day-to-day operations.

The Company initiated formal communications with all of its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. In the event any third parties cannot timely provide the Company with contents, products, services or systems that meet Year 2000 requirements, the Company's services could be materially adversely affected. The Company continues to solicit, receive and renew responses to surveys sent to those third parties determined to be material to the operations of the Company to determine their Year 2000 readiness. For those critical third parties that fail to respond to the Company's survey, the Company is pursuing alternative means of obtaining Y2K readiness information and is conducting reviews of publicly available information published by such third parties.

The Company has and will continue to utilize both internal and external resources to reprogram, or replace, and test its internal use software for Year 2000 modifications. The Company anticipates completing its Year 2000 testing and modifications no later than August 1999, which is prior to any anticipated impact on its operating systems.

Cost of Project

The total cost of the Year 2000 project is estimated at approximately \$1.2 million and is being funded through operating cash flows. To date, the Company has incurred approximately \$0.8 million related to this project. Such cost is not expected to have a material effect on the Company's results of operations.

The remaining costs to become Year 2000 compliant and the date on which the Company believes it will complete all Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, availability of corrective software provided by external suppliers, the ability to locate and correct all relevant computer codes and similar uncertainties.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations, continued

Contingency Planning and Risks

In a recent Securities and Exchange Commission release regarding Year 2000 disclosure, the Securities and Exchange Commission stated that public companies must disclose the most reasonable likely worst case Year 2000 scenario. Although it is not possible to assess the likelihood of any of the following events, each must be included in a consideration of worst case scenarios: widespread failure of electrical and similar supplies serving the Company; widespread disruption of the services provided by common communications' carriers; similar disruption to the means and modes of transportation for the Company and its employees, suppliers, and customers; significant disruption to the Company's ability to gain access to, and remain working in, office buildings and other facilities; the failure of substantial numbers of the Company's customers' and its suppliers' critical computer hardware and software systems, and the failure of outside entities' systems, including systems related to banking and finance.

Although the Company expects its systems to be Year 2000 compliant on or before December 31, 1999, it cannot predict the outcome or the success of its efforts to become Year 2000 compliant, or that third party systems are or will be Year 2000 compliant, or that the costs required to address the Year 2000 issue, or that the impact of a failure to achieve substantial Year 2000 compliance, will not have a material adverse effect on the Company's business, financial condition or results of operations. The Company is in the process of developing contingency plans to ensure continued operation of its systems.

Part II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders

a. The Annual Meeting of Shareholders was held on April 29, 1999.

b. The following members of the Board of Directors were elected to serve until the 2002 Annual Meeting and until their successors are elected and qualified:

	For	Against	Abstained
	---	-----	-----
Gordon H. Loetz	38,635,039	-	77,793
Ernest J. Milani	38,633,959	-	78,873
Iain A. Macdonald	38,635,039	-	77,793

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

H. Parks Helms	John H. Sykes
Adelaide A. Sink	Furman P. Bodenheimer, Jr.
Linda McClintock-Greco, M.D.	R. James Stroker

c. The proposal to approve the adoption of the Sykes Enterprises, Incorporated's 1999 Employees' Stock Purchase Plan was approved as follows:

For	Against	Abstained
---	-----	-----
38,187,287	496,601	28,944

d. Not applicable

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

None

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: August 4, 1999

By: /s/ Scott J. Bendert

*Scott J. Bendert
Senior Vice President-Finance and
Chief Financial Officer
(Principal Financial and
Accounting Officer)*

SYKES ENTERPRISES, INCORPORATED

FORM 10-Q

(For the six months ended June 30, 1999)

EXHIBIT INDEX

Exhibit Number -----		Page Number -----
27.1	Financial Data Schedule	18

ARTICLE 5

This schedule contains summary consolidated financial information extracted from the Company's Form 10-Q for the six-month period ended June 30, 1999 and is qualified in its entirety by reference to such Form 10-Q.

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	JUN 30 1999
CASH	32,283,256
SECURITIES	0
RECEIVABLES	123,948,486
ALLOWANCES	481,979
INVENTORY	0
CURRENT ASSETS	183,591,312
PP&E	204,894,055
DEPRECIATION	87,538,992
TOTAL ASSETS	387,643,902
CURRENT LIABILITIES	87,631,701
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	422,812
OTHER SE	183,747,133
TOTAL LIABILITY AND EQUITY	387,643,902
SALES	282,485,530
TOTAL REVENUES	282,485,530
CGS	0
TOTAL COSTS	246,012,452
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	1,535,254
INCOME PRETAX	35,034,904
INCOME TAX	13,558,094
INCOME CONTINUING	21,476,810
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	21,476,810
EPS BASIC	0.51
EPS DILUTED	0.50

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