

SYKES ENTERPRISES INC

FORM 8-K (Current report filing)

Filed 10/27/03 for the Period Ending 10/27/03

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 8-K (Unscheduled Material Events)

Filed 10/27/2003 For Period Ending 10/27/2003

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

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): October 27, 2003

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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Ex-99.1- October 27, 2003 Press Release

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Item 7. Exhibits

Exhibit 99.1 Press release, dated October 27, 2003, announcing the financial results for the quarter ended September 30, 2003.

Item 12. Disclosure of Results of Operations and Financial Condition

On October 27, 2003, Sykes Enterprises, Incorporated (the "Company") issued a press release announcing its financial results for the quarter ended September 30, 2003. The press release is attached as Exhibit 99.1.

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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: October 27, 2003

Exhibit Index

Exhibit No.	Description
99.1	Press release, dated October 27, 2003, announcing the financial results for the quarter ended September 30, 2003.

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EXHIBIT 99.1

News Release

FOR IMMEDIATE RELEASE OCTOBER 27, 2003

**SYKES ENTERPRISES, INCORPORATED REPORTS THIRD
QUARTER 2003 FINANCIAL RESULTS**

**PRO FORMA EPS DOUBLES ON REVENUE GROWTH AND REDUCED OPERATING EXPENSES;
BALANCE SHEET REMAINS STRONG**

TAMPA, FL - OCTOBER 27, 2003 - Sykes Enterprises, Incorporated ("Sykes" or the "Company") (NASDAQ: SYKE), a global leader in providing outsourced customer management solutions and services, today announced financial results for the third quarter of 2003, exceeding expectations.

For the three months ended September 30, 2003, revenues totaled \$119.9 million compared to \$109.7 million for the prior year third quarter and \$118.9 million in the sequential second quarter. Net income for the third quarter of 2003 totaled \$3.9 million, or \$0.10 per diluted share, compared to a net loss of \$6.7 million, or \$0.17 per share, for the comparable quarter last year. Third quarter 2003 results reflected special items including a \$0.03 per share gain on the sale of a U.S. customer support center and a \$0.2 million credit from the reversal of a restructuring accrual (less than a \$0.01 impact). The comparable third quarter results for 2002 also contained special items including a gain of \$0.03 per share for the sale of a U.S. customer support center and a special charge of \$0.23 per share related to the Company's class action settlement in 2002. Excluding these special items, the Company's pro forma net income for the third quarter of 2003 increased to \$2.5 million, or \$0.06 per diluted share, from pro forma net income of \$1.4 million, or \$0.03 per diluted share, for the third quarter of 2002 (See "Reconciliation of Pro Forma Results" table).

"Our business value proposition continues to resonate with our clients -- despite an increasingly complex and somewhat challenging economic environment -- underscored by revenue growth and improving operating performance. We are capitalizing on our growing offshore model, which is delivering solid results and strengthening the bottom line," stated John H. Sykes, Chairman and CEO of Sykes. "We continue to strike a delicate balance between revenue growth opportunities and cost containment while remaining sharply focused on growing existing client relationships, winning new business and further enhancing Sykes' position as a leading global solutions provider."

THIRD QUARTER 2003 REVIEW

Third quarter 2003 revenues increased 9.4% over the prior year period to \$119.9 million. The increase reflects the rise in the value of the Euro compared to the U.S. dollar and the continued ramp-up of new business in Sykes' offshore markets. Sequentially, third quarter 2003 revenues increased \$1.0 million from second quarter revenues of \$118.9 million.

[SYKES LETTERHEAD]

On a geographic basis, revenues from the Company's Americas region, including North America, Latin America, India and the Asia Pacific Rim, increased 16.9% to \$82.2 million, or 68.6% of total revenues, for the third quarter of 2003 compared to \$70.3 million, or 64.1% of total revenues, for the comparable period in the prior year. The increase in the Americas revenues shows the strong growth in Sykes' offshore markets, resulting from the continued acceleration in demand for a lower cost solution, and further diversification into new vertical markets, including financial services and the transportation and leisure industry. Revenues from the Company's Europe, Middle East and Africa (EMEA) region declined 4.2% to \$37.7 million, or 31.4% of total revenues for the third quarter of 2003 compared to \$39.4 million, or 35.9%, for the comparable period in the prior year. Sykes' third quarter EMEA revenues experienced a \$4.7 million benefit from the stronger Euro compared with the same period of the prior year. Excluding this foreign currency benefit, EMEA revenues would have declined \$6.4 million on a year-over-year basis, reflecting the continued softness in customer call volumes resulting from the weak European economy.

The Company's gross profit margin (revenues less direct costs) for the third quarter of 2003 rose to 36.2% from 35.7% in the sequential second quarter reflecting improvements from the closure of lower margin European centers in the second quarter, partially offset by the ramp-up of new business in Sykes' offshore markets. Year-over-year, the Company's third quarter 2003 gross profit margin remained unchanged from the prior year period at 36.2%.

General and administrative ("G&A") expenses for the third quarter of 2003 totaled \$39.9 million compared with \$37.6 million for the same period in the prior year and \$38.9 million in the sequential second quarter of 2003. Though partially offset by lower depreciation, G&A expenses rose year-over-year due to higher rent, utilities and maintenance costs associated with the offshore facilities expansion as well as higher insurance costs. As a percentage of revenues, total G&A expenses for the third quarter of 2003 declined to 33.2% compared to 34.3% in the prior year period. The year-over-year percentage decline reflects a lower depreciation expense combined with a higher level of revenues, partially offset by the higher costs associated with the offshore expansion. Sequentially, third quarter 2003 G&A expenses as a percentage of revenues rose 50 basis points to 33.2% from 32.7% in the second quarter of 2003.

NINE MONTHS IN REVIEW

For the nine months ended September 30, 2003, revenues totaled \$356.1 million compared to \$339.2 million for the comparable nine-month period in the prior year. Income from operations for the nine-month period ended September 30, 2003 totaled \$8.9 million, while net income totaled \$6.7 million, or \$0.17 per diluted share. This compared to income from operations of \$12.4 million and a net loss of \$0.7 million, or \$0.02 per share, for the same period in the prior year. Excluding the special items noted above, pro forma net income for the nine-month period ended September 30, 2003, totaled \$5.3 million, or \$0.13 per diluted share, compared to pro forma net income of \$7.3 million, or \$0.18 per diluted share, for the comparable nine-month period in 2002 (see "Reconciliation of Pro Forma Results"). The period-to-date decline was primarily the result of the breakeven results in the first quarter of 2003, which resulted from the higher costs associated with the ramp-up of new business offshore, insurance costs, the restructuring of certain EMEA facilities, and additional depreciation expense related to the termination of a technology client.

BALANCE SHEET & CASH FLOW HIGHLIGHTS

The Company's balance sheet at September 30, 2003 showed cash and cash equivalents of \$77.9 million, shareholders' equity of \$193.6 million, and no outstanding debt. Approximately \$60.1 million of the Company's September 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 and has no current plans to repatriate the cash to the U.S.

"We generated approximately \$9.7 million in cash flow from operations during the third quarter, providing our company with continued flexibility and the financial strength to make key strategic investments that will continue to drive Sykes' growth," commented Mr. Sykes.

BUSINESS OUTLOOK

For the fourth quarter of 2003, the Company anticipates the following financial results:

- Revenues in the range of \$120 million to \$125 million
- Net income in the range of \$0.03 to \$0.05 per diluted share

The marketplace continues to be characterized by extended sales cycles, industry-wide pricing pressures, and the uncertainty of the worldwide economic and political environment. The fourth quarter 2003 business outlook takes into consideration an increase in operating expenses due primarily to the growth in the Company's build out of its offshore facilities to accommodate an acceleration in demand. This demand is partially related to the migration of a leading U.S. based client as well as new and existing client growth. The Company recently signed a multi-year contract with a leading third-party systems integrator, which was retained by the Company's leading client to manage its customer outsourcing strategy. Expenses related to the build out include increased headcount, travel, rent, and depreciation and amortization. In the fourth quarter through the first-half of 2004, the Company anticipates adding between 4,000 and 5,000 seats in its offshore markets, bringing the Company's targeted seats offshore to between 9,600 and 11,000. Additionally, the fourth-quarter outlook does not include the impact of the potential adoption of Statement of Financial Accounting Standards (SFAS) 123 related to the expensing of stock options.

Based on the fourth quarter 2003 outlook, the Company expects the following financial results for the full 2003 year:

- Revenues in the range of \$476 million to \$481 million
- Pro forma net income in the range of \$0.16 to \$0.18 per diluted share
- Net income in the range of \$0.20 to \$0.22 per diluted share
- Capital expenditures in the range of \$28 million to \$33 million

NON-GAAP (PRO FORMA) MEASURES:

This news release contains non-GAAP financial measures including pro forma income from operations, pro forma net income and pro forma earnings per share, which are not prepared in accordance with Generally Accepted Accounting Principles (GAAP). A reconciliation of these non-GAAP measures to the comparable GAAP measures is included in the attached financial tables.

CONFERENCE CALL

The Company will conduct a conference call regarding the content of this release tomorrow, October 28, 2003 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."

ABOUT SYKES ENTERPRISES, INCORPORATED

Sykes is a global leader in providing customer management solutions and services to Fortune 1000 companies primarily in the technology, consumer, communications, financial services, and the 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. Utilizing Sykes' integrated onshore/offshore global delivery model, Sykes provides its services through multiple communication channels encompassing phone, e-mail, web, and chat. Sykes complements its customer support outsourcing services with technical staffing and fulfillment services - delivering solutions that are customized to meet each company's unique customer management needs. Headquartered in Tampa, Florida, Sykes operates 42 customer support centers with operations throughout the United States, Canada, Europe, Latin America, Asia and Africa. 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 timing of significant orders for Sykes' products and services, (ii) variations in the terms and the elements of services offered under Sykes' standardized contract including those for future bundled service offerings, (iii) changes in applicable accounting principles or interpretations of such principles, (iv) difficulties or delays in implementing Sykes' bundled service offerings, (v) failure to achieve sales, marketing and other objectives, (vi) construction delays of new or expansion of existing customer support centers, (vii) delays in the Company's ability to develop new products and services and market acceptance of new products and services, (viii) rapid technological change, (ix) loss or addition of significant clients, (x) risks inherent in conducting business abroad, (xi) currency fluctuations, (xii) fluctuations in business conditions and the economy, (xiii) Sykes' ability to attract and retain key management personnel, (xiv) Sykes' ability to continue the growth of its support service revenues through additional technical and customer service centers, (xv) Sykes' ability to further penetrate into vertically integrated markets, (xvi) Sykes' ability to expand its global presence through strategic alliances and selective acquisitions, (xvii) Sykes' ability to continue to establish a competitive advantage through sophisticated technological capabilities, (xviii) the ultimate outcome of any lawsuits, (xix) Sykes' ability to recognize deferred revenue through delivery of products or satisfactory performance of

services, (xx) Sykes' dependence on trends toward outsourcing, (xxi) risk of emergency interruption of technical and customer support center operations, (xxii) the existence of substantial competition, (xxiii) the early termination of contracts by clients; and (xxiv) 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
THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	THREE MONTHS ENDED	
	SEPT. 30, 2003	SEPT. 30, 2002
Revenues	\$ 119,912	\$ 109,658
Direct salaries and related costs	(76,506)	(69,910)
General and administrative	(39,862)	(37,585)
Gain (loss) on disposal of property & equipment, net	1,736	1,197
Reversal of restructuring and other charges	200	--
	5,480	3,360
Income from operations	5,480	3,360
Litigation settlement	--	(13,800)
Other income	490	334
	5,970	(10,106)
Income (loss) before (provision) benefit for income taxes	5,970	(10,106)
(Provision) benefit for income taxes	(2,039)	3,436
	\$ 3,931	\$ (6,670)
Net income (loss)	\$ 3,931	\$ (6,670)
	=====	=====
Net income (loss) per basic share	\$ 0.10	\$ (0.17)
Shares outstanding - basic	40,307	40,411
Net income (loss) per diluted share	\$ 0.10	\$ (0.17)
Shares outstanding - diluted	40,491	40,411
 OTHER ITEMS:		
Depreciation and amortization	\$ 6,719	\$ 8,847
Capital expenditures	\$ 8,166	\$ 6,831

SYKES ENTERPRISES, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	NINE MONTHS ENDED	
	SEPT. 30, 2003	SEPT. 30, 2002
Revenues	\$ 356,147	\$ 339,230
Direct salaries and related costs	(230,370)	(212,788)
General and administrative	(118,644)	(114,993)
Gain (loss) on disposal of property & equipment, net	1,548	945
Reversal of restructuring and other charges	200	--
	8,881	12,394
Income from operations	8,881	12,394
Litigation settlement	--	(13,800)
Other income	1,241	305
	10,122	(1,101)
Income (loss) before (provision) benefit for income taxes	10,122	(1,101)
(Provision) benefit for income taxes	(3,450)	374
	\$ 6,672	\$ (727)
Net income (loss)	\$ 6,672	\$ (727)
	=====	=====
Net income (loss) per basic share	\$ 0.17	\$ (0.02)
Shares outstanding - basic	40,341	40,404
Net income (loss) per diluted share	\$ 0.17	\$ (0.02)
Shares outstanding - diluted	40,426	40,404
OTHER ITEMS:		
Depreciation and amortization	\$ 22,965	\$ 25,082
Capital expenditures	\$ 20,611	\$ 15,942

SYKES ENTERPRISES, INCORPORATED
RECONCILIATION OF PRO FORMA RESULTS
(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

	INCOME FROM OPERATIONS	INCOME OR (LOSS) BEFORE TAX	(INCOME TAX)/ BENEFIT	NET INCOME/ (LOSS)	DILUTED EPS
	-----	-----	-----	-----	-----
THIRD QUARTER 2003:					
Results reported under U.S. GAAP	\$ 5,480	\$ 5,970	\$(2,039)	\$ 3,931	\$0.10
Less special items:					
Reversal of restructuring and other charges	200	200	(77)	123	--
Gain on sale of customer support center	1,940	1,940	(660)	1,280	0.03
	-----	-----	-----	-----	-----
Pro forma results	\$ 3,340	\$ 3,830	\$(1,302)	\$ 2,528	\$ 0.06 (a)
	=====	=====	=====	=====	=====
THIRD QUARTER 2002:					
Results reported under U.S. GAAP	\$ 3,360	\$(10,106)	\$ 3,436	\$(6,670)	\$(0.17)
Less special items:					
Litigation settlement	--	(13,800)	4,692	(9,108)	(0.23)
Gain on sale of customer support center	1,599	1,599	(544)	1,055	0.03
	-----	-----	-----	-----	-----
Pro forma results	\$ 1,761	\$ 2,095	\$ (712)	\$ 1,383	\$ 0.03
	=====	=====	=====	=====	=====
NINE MONTHS 2003:					
Results reported under U.S. GAAP	\$ 8,881	\$ 10,122	\$(3,450)	\$ 6,672	\$ 0.17
Less special items:					
Reversal of restructuring and other charges	200	200	(77)	123	--
Gain on sale of customer support center	1,940	1,940	(660)	1,280	0.03
	-----	-----	-----	-----	-----
Pro forma results	\$ 6,741	\$ 7,982	\$(2,713)	\$ 5,269	\$ 0.13 (a)
	=====	=====	=====	=====	=====
NINE MONTHS 2002:					
Results reported under U.S. GAAP	\$12,394	\$ (1,101)	\$ 374	\$ (727)	\$(0.02)
Less special items:					
Litigation settlement	--	(13,800)	4,692	(9,108)	(0.23)
Gain on sale of customer support center	1,599	1,599	(544)	1,055	0.03
	-----	-----	-----	-----	-----
Pro forma results	\$10,795	\$ 11,100	\$(3,774)	\$ 7,326	\$ 0.18
	=====	=====	=====	=====	=====
				Q4 2003	2003
				DILUTED EPS	DILUTED EPS
				-----	-----
BUSINESS OUTLOOK FOR 2003 - HIGH RANGE:					
Results reported under U.S. GAAP				\$ 0.05	\$ 0.22
Less special items:					
Reversal of restructuring and other charges				--	--
Gain on sale of customer support center				--	0.03
				-----	-----
Pro forma results				\$ 0.05	\$ 0.18 (a)
				=====	=====
BUSINESS OUTLOOK FOR 2003 - LOW RANGE:					
Results reported under U.S. GAAP				\$ 0.03	\$ 0.20
Less special items:					
Reversal of restructuring and other charges				--	--
Gain on sale of customer support center				--	0.03
				-----	-----
Pro forma results				\$ 0.03	\$ 0.16 (a)
				=====	=====

The schedules above provide a reconciliation of the Company's results of operations, as reported under U.S. Generally Accepted Accounting Principles (U.S. GAAP), to the pro forma results of operations (non-U.S. GAAP) identified in the text of the press release, which exclude special items. Pro forma results of operations are presented because the Company believes it provides the users of financial statements with an additional and useful comparison of operating performance.

(a) Third quarter and nine months 2003 EPS as well as 2003 Business Outlook range columns do not sum to total due to rounding differences in the calculation of each EPS amount.

SYKES ENTERPRISES, INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(\$ IN THOUSANDS)

	SEPT. 30, 2003 ----- (unaudited)	DEC. 31, 2002 -----
ASSETS		
Current assets	\$172,744	\$163,507
Property and equipment, net	105,130	109,618
Other noncurrent assets	23,163	22,419
	-----	-----
Total assets	\$301,037	\$295,544
	=====	=====
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities	\$ 57,853	\$ 62,392
Noncurrent liabilities	49,570	50,807
Shareholders' equity	193,614	182,345
	-----	-----
Total liabilities & shareholders' equity	\$301,037	\$295,544
	=====	=====

SYKES ENTERPRISES, INCORPORATED
SUPPLEMENTARY DATA
(UNAUDITED)

	Q3 2003 -----	Q3 2002 -----	FY 2002 -----
GEOGRAPHIC MIX (% OF TOTAL REVENUE):			
Americas (1)	68.6%	64.1%	66.1%
Europe, Middle East & Africa (EMEA)	31.4%	35.9%	33.9%
Total	100.0%	100.0%	100.0%

(1) Includes the United States, Canada, Costa Rica, India and the Asia Pacific (APAC) region. India and APAC are included within the Americas due to the nature of the business and client profile, which is primarily made up of U.S. based companies.

	Q3 2003 -----	Q3 2002 -----	FY 2002 -----
VERTICAL INDUSTRY MIX (% OF TOTAL REVENUE):			
Communications	45%	41%	40%
Technology	32%	41%	43%
Financial Services	6%	4%	3%
Other	17%	14%	14%
Total	100%	100%	100%