

GSE SYSTEMS INC
Form 10-Q
November 10, 2008

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended September 30, 2008.

or

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

001-14785
(Commission File Number)

GSE SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of
incorporation)

52-1868008
(I . R . S .
E m p l o y e r
I d e n t i f i c a t i o n
N u m b e r)

1332 Londontown Blvd., Suite 200, Sykesville, MD 21784
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (410) 970-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer", "large accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting
company

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in rule 12(b)-2 of the Exchange Act). Yes No

There were 15,965,346 shares of common stock, with a par value of \$.01 per share outstanding as of November 7, 2008.

GSE SYSTEMS, INC.

QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	Unaudited September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,513	\$ 8,172
Restricted cash	2,521	2,228
Contract receivables	11,883	10,721
Prepaid expenses and other current assets	1,019	894
Total current assets	22,936	22,015
Equipment and leasehold improvements, net	1,162	880
Software development costs, net	1,505	1,170
Goodwill	1,739	1,739
Long-term restricted cash	1,990	1,925
Other assets	1,098	635
Total assets	\$ 30,430	\$ 28,364
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,723	\$ 1,533
Accrued expenses	733	1,061
Accrued compensation and payroll taxes	1,284	1,613
Billings in excess of revenue earned	3,671	2,270
Accrued warranty	961	724
Other current liabilities	273	103
Total current liabilities	8,645	7,304
Other liabilities	733	695
Total liabilities	9,378	7,999
Commitments and contingencies		
Stockholders' equity:		
Preferred stock \$.01 par value, 2,000,000 shares authorized, shares issued and outstanding none in 2008 and 2007	-	-
Common stock \$.01 par value, 30,000,000 shares authorized, shares issued and outstanding 15,963,958 in 2008 and 15,508,014 in 2007	160	155
Additional paid-in capital	50,217	49,225
Accumulated deficit	(28,261)	(28,128)
Accumulated other comprehensive loss	(1,064)	(887)

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Total stockholders' equity	21,052	20,365
Total liabilities and stockholders' equity	\$ 30,430	\$ 28,364

The accompanying notes are an integral part of these consolidated financial statements.

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Contract revenue	\$ 7,001	\$ 7,526	\$ 20,639	\$ 23,769
Cost of revenue	5,023	5,150	14,889	16,345
Gross profit	1,978	2,376	5,750	7,424
Operating expenses:				
Selling, general and administrative	1,694	1,813	5,585	5,567
Depreciation	114	59	317	168
Total operating expenses	1,808	1,872	5,902	5,735
Operating income (loss)	170	504	(152)	1,689
Interest income (expense), net	42	(62)	76	(425)
Other income (expense), net	317	(88)	193	(353)
Income before income taxes	529	354	117	911
Provision for income taxes	99	51	250	229
Net income (loss)	430	303	(133)	682
Preferred stock dividends	-	-	-	(49)
Net income (loss) attributed to common shareholders	\$ 430	\$ 303	\$ (133)	\$ 633
Basic income (loss) per common share	\$ 0.03	\$ 0.02	\$ (0.01)	\$ 0.05
Diluted income (loss) per common share	\$ 0.03	\$ 0.02	\$ (0.01)	\$ 0.04

The accompanying notes are an integral part of these consolidated financial statements.

GSE SYSTEMS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (in thousands)
 (Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net income (loss)	\$ 430	\$ 303	\$ (133)	\$ 682
Foreign currency translation adjustment	(265)	119	(177)	88
Comprehensive income (loss)	\$ 165	\$ 422	\$ (310)	\$ 770

The accompanying notes are an integral part of these consolidated financial statements.

