

INFOUSA INC
Form 10-Q
November 14, 2002

Table of Contents

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, 2002 or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 0-19598

infoUSA INC.

(exact name of registrant specified in its charter)

DELAWARE

47-0751545

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

5711 SOUTH 86TH CIRCLE,
OMAHA, NEBRASKA

68127

(Address of principal executive
offices)

(Zip Code)

Registrant's telephone number, including area code (402) 593-4500

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 CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

51,026,308 shares of Common Stock at November 8, 2002

TABLE OF CONTENTS

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4. CONTROLS AND PROCEDURES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

INDEX TO EXHIBITS

EX-99.1 Certificate Pursuant to 18 USC Sec. 1350

EX-99.2 Certificate Pursuant to 18 USC Sec. 1350

Table of Contents

TABLE OF CONTENTS

infoUSA INC.

INDEX

PART I FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets as of September 30, 2002 and December 31, 2001	4
Consolidated Statements of Operations for the three months and nine months ended September 30, 2002 and 2001	5
Consolidated Statements of Cash Flows for the nine months ended September 30, 2002 and 2001	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures about Market Risk	25
Item 4. Controls and Procedures	25
PART II OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	26
Signature	27
Index to Exhibits	30

Table of Contents

infoUSA INC.

FORM 10-Q

FOR THE QUARTER ENDED

SEPTEMBER 30, 2002

PART I FINANCIAL INFORMATION

ITEMS 1 AND 2. FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

3

Table of Contents

infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	SEPTEMBER 30, 2002	DECEMBER 31, 2001
(UNAUDITED)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,559	\$ 4,382
Marketable securities	838	1,037
Trade accounts receivable, net of allowances of \$4,766 and \$4,670, respectively	40,642	44,890
Officer note receivable	940	
List brokerage trade accounts receivable	21,441	16,992
Prepaid expenses	5,175	6,861
Deferred income taxes	399	1,251
Deferred marketing costs	2,531	2,058
	<u>73,525</u>	<u>77,471</u>
Total current assets	73,525	77,471
Property and equipment, net	45,988	51,640
Intangible assets, net	276,653	284,675
Other assets	4,595	5,302
	<u>\$400,761</u>	<u>\$419,088</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 26,337	\$ 19,770
Accounts payable	11,416	7,760
List brokerage trade accounts payable	17,453	15,031
Accrued payroll expenses	8,299	7,891
Accrued expenses	5,002	9,240
Income taxes payable	2,550	4,030
Deferred revenues	14,042	17,419
	<u>85,099</u>	<u>81,141</u>
Total current liabilities	85,099	81,141
Long-term debt, net of current portion	172,421	205,900
Deferred income taxes	24,234	27,250
Deferred revenue	6,000	9,000
Stockholders equity:		
Preferred stock, \$.0025 par value. Authorized 5,000,000 shares; none issued or outstanding		
Common stock, \$.0025 par value. Authorized 295,000,000 shares; 51,869,816 shares issued and 51,026,308 outstanding at September 30, 2002 and 51,850,339 shares issued and 50,891,248 outstanding at December 31, 2001	130	130
Paid-in capital	92,819	93,551
Retained earnings	27,297	11,801
Treasury stock, at cost, 843,508 shares held at September 30, 2002 and 959,091 held at December 31, 2001	(5,524)	(7,028)
Notes receivable from officers	(840)	(1,296)
Accumulated other comprehensive loss	(875)	(1,361)
	<u>(875)</u>	<u>(1,361)</u>

Edgar Filing: INFOUSA INC - Form 10-Q

Total stockholders' equity	113,007	95,797
	<u> </u>	<u> </u>
	\$400,761	\$419,088
	<u> </u>	<u> </u>

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

Table of Contents

infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
	(UNAUDITED)		(UNAUDITED)	
Net sales	\$77,171	\$68,498	\$227,936	\$213,260
Costs and expenses:				
Database and production costs	20,618	19,032	63,191	59,945
Selling, general and administrative (excluding non-cash stock options compensation expense of \$8 and \$146 for the three months and \$35 and \$448 for the nine months ended September 30, 2002 and 2001, respectively)	34,711	26,341	98,558	80,284
Depreciation and amortization	6,805	11,736	21,058	36,658
Non-cash stock option compensation	8	146	35	448
Restructuring charges	804	2,989	1,616	4,632
Litigation settlement charge	110		417	
Acquisition costs	2		175	
	_____	_____	_____	_____
Total operating costs and expenses	63,058	60,244	185,050	181,967
	_____	_____	_____	_____
Operating income	14,113	8,254	42,886	31,293
Other income (expense):				
Investment income	35	190	133	863
Other charges	(115)		(2,502)	
Minority interest in gain of subsidiary		609		282
Interest expense	(3,404)	(5,945)	(12,562)	(19,288)
	_____	_____	_____	_____
Income before income taxes and extraordinary item	10,629	3,108	27,955	13,150
Income taxes	4,225	2,874	10,690	8,857
	_____	_____	_____	_____
Income before extraordinary item	6,404	234	17,265	4,293
Extraordinary item, net of tax			(1,769)	
	_____	_____	_____	_____
Net income	\$ 6,404	\$ 234	\$ 15,496	\$ 4,293
	_____	_____	_____	_____
BASIC EARNINGS PER SHARE:				
Income before extraordinary item	\$ 0.12	\$ 0.00	\$ 0.33	\$ 0.08
Loss on extraordinary item, net of tax			(0.03)	
	_____	_____	_____	_____
Net income	\$ 0.12	\$ 0.00	\$ 0.30	\$ 0.08
	_____	_____	_____	_____
Weighted average shares outstanding	50,991	50,571	50,935	50,570
	_____	_____	_____	_____
DILUTED EARNINGS PER SHARE:				
Income before extraordinary item	\$ 0.12	\$ 0.00	\$ 0.33	\$ 0.08
Loss on extraordinary item, net of tax			(0.03)	
	_____	_____	_____	_____

Edgar Filing: INFOUSA INC - Form 10-Q

Net income	\$ 0.12	\$ 0.00	\$ 0.30	\$ 0.08
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares outstanding	50,991	50,587	51,018	50,570
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Table of Contents

infoUSA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

NINE MONTHS ENDED
SEPTEMBER 30,

	2002	2001
(UNAUDITED)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 15,496	\$ 4,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	21,058	36,658
Amortization of deferred financing costs	620	868
Deferred income taxes	(2,164)	(3,811)
Non-cash stock option compensation expense	35	448
Non-cash 401(k) contribution in common stock	649	120
Non-cash investment loss	1,124	
Loss on interest rate swap agreement	1,204	
Extraordinary item loss on extinguishment of debt	1,769	
Non-cash other charges	145	
Minority interest in gain of subsidiary		(282)
Changes in assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	3,020	7,675
List brokerage trade accounts receivable	(825)	(3,616)
Prepaid expenses and other assets	2,649	3,834
Deferred marketing costs	(429)	346
Accounts payable	3,117	(4,175)
List brokerage trade accounts payable	541	1,522
Income taxes receivable and payable, net	(1,480)	5,558
Accrued expenses and deferred revenue	(10,900)	(15,166)
	35,629	34,272
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(32)	(1,032)
Purchases of property and equipment	(2,453)	(2,964)
Acquisitions of businesses, net of cash acquired	(6,453)	(16,326)
Software and database development costs	(1,820)	(1,501)
	(10,758)	(21,823)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(27,233)	(31,246)
Deferred financing costs paid	(1,030)	
Proceeds from exercise of stock options and collection of notes receivable from officers	569	
	(27,694)	(31,246)
Net decrease in cash and cash equivalents	(2,823)	(18,797)
Cash and cash equivalents, beginning	4,382	21,693
	\$ 1,559	\$ 2,896
Supplemental cash flow information:		
Interest paid	\$ 9,884	\$ 17,476

Edgar Filing: INFOUSA INC - Form 10-Q

Income taxes paid	\$ 13,630	\$ 6,212
-------------------	-----------	----------

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

Table of Contents

infoUSA INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, contain all adjustments, consisting of normal recurring adjustments, necessary to fairly present the financial information included therein.

The Company suggests that this financial data be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2001 included in the Company's 2001 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. Results for the interim periods presented are not necessarily indicative of results to be expected for the entire year.

The Company adopted certain provisions of SFAS No. 142 (SFAS 142), Goodwill and Other Intangible Assets effective January 1, 2002. Therefore, the Company ceased to recognize annual amortization of approximately \$16.5 million of goodwill effective January 1, 2002, that was amortized during 2001. In accordance with SFAS 142, the Company is required to perform an initial impairment test of goodwill in 2002 and update the impairment test annually. The Company has completed the initial valuation of the goodwill and other intangible assets required by SFAS 142 for impairment testing and concluded that no impairment existed at January 1, 2002.

2. EARNINGS PER SHARE INFORMATION

The following table shows the amounts used in computing earnings per share and the effect on the weighted average number of shares of dilutive potential common stock. For the three months ended September 30, 2002 and the nine months ended September 30, 2001, the average market price of the Company's common stock was less than the exercise price of all the Company's outstanding common stock subject to option.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	(IN THOUSANDS)		(IN THOUSANDS)	
	2002	2001	2002	2001
Weighted average number of shares outstanding used in basic EPS	50,991	50,571	50,935	50,570
Net additional common stock equivalent shares outstanding after assumed exercise of stock options		16	83	