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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

November 10, 2004

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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F O R M 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2004

MER TELEMAGEMENT SOLUTIONS LTD.  
(Name of Registrant)

22 Zarhin Street, Ra'anana 43662, Israel  
(Address of Principal Executive Office)

Indicate by check mark whether the registrant files or will  
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the  
Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information  
contained in this Form, the registrant is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under the Securities  
Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to  
the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

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MER Telemangement Solutions Ltd.

6-K Items

1. Press Release re MTS Reports 9% Revenue Increase for Third Quarter  
2004 dated November 10, 2004.

Press Release

Source: Mer Telemanagement Solutions Ltd.

MTS Reports 9% Revenue Increase for Third Quarter 2004

Wednesday November 10, 8:30 am ET

Revenues Grow 25% Sequentially

Key Investments in Sales and Marketing Infrastructure Continue

RA'ANANA, Israel, Nov. 10 /PRNewswire-FirstCall/ -- MTS - Mer Telemanagement Solutions Ltd. (Nasdaq: MTSL - News), a global provider of Operations Support Systems (OSS) for comprehensive Telecommunication Management and Customer Care & Billing solutions, today reported its financial results for the third quarter and nine months of 2004.

Revenues for the third quarter increased 9% to \$2.5 million compared with \$2.3 million for the third quarter of 2003, and grew 25% sequentially over second quarter. Revenues for the nine months of 2004 were \$6.8 million compared to \$6.7 million for the prior year's period.

Eytan Bar, MTS's President and Chief Executive Officer commented: "We are pleased with the sales momentum in the quarter. We signed new contracts and continue to expand marketing channels with new and existing partners. Our execution of the turnaround strategy and continued investments in sales and marketing infrastructure are beginning to yield results."

The Company recently announced a partnership with NACR, the largest Avaya certified Diamond & Platinum Business Partner and Three-Star Service Provider to resell MTS' Application Suite to NACR's Avaya customers. The agreement will provide a complete telemanagement solution including web-based reporting, billback capacity and customer care. "Our objective is to enhance market penetration by collaborating with leading telecommunications solutions providers," said Mr. Bar.

Net loss for the quarter was \$0.7 million or \$(0.15) per share, compared with net income of \$3,000, or \$0.00 per share, for the third quarter of 2003. Net loss for the nine-month period of 2004 was \$1.8 million or \$(0.40) per share compared to net income of \$7,000 or \$0.00 per share for the same period in 2003.

The Company's gross profit for the third quarter was flat at \$1.8 million compared to the third quarter of 2003. Nine-month gross profit was \$5.1 million compared to \$5.3 million in the prior year's period.

Third quarter research and development expenses were consistent with the prior year's quarter at \$0.4 million. Research and development expenses for the nine months of 2004 were \$1.5 million compared to \$1.3 million in the 2003 period.

Selling and marketing expenses for the quarter increased to \$1.8 million from \$0.9 million in the third quarter of 2003. Nine-month selling and marketing expenses were \$4.3 million compared to \$2.9 million for the nine months of 2003.

"We continue to add staff and infrastructure to our sales and marketing

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functions as we position ourselves within our key target markets" stated Mr. Bar. "Our goal is to drive sustainable revenue growth in the coming quarters and future."

Operating loss for the quarter totaled \$897,000 compared with \$5,000 for the third quarter of 2003. Operating loss for the nine-month period totaled \$2.1 million compared to \$0.2 million for the same period in 2003.

Yossi Brikman, Corporate COO & CFO, noted that the Company capitalized \$386,000 in software development costs in accordance with applicable US GAAP guidelines during the quarter. These costs are expected to be amortized over the life of the technology developed, which is currently projected to be a period of three years.

MTS ended the quarter with approximately \$8.9 million in cash and cash equivalents, including marketable securities.

The Company purchased 3,800 of its shares on the open market during the quarter as part of its ongoing buyback program. At September 30, 2004, the Company had 4,638,004 shares outstanding.

"We are delivering on our strategic objectives," concluded Mr. Bar. "Sales are ramping up and our infrastructure is developing nicely. We look forward to continuing this trend in the coming quarters and stabilizing future investments in line with growth of the overall business."

The Company will conduct a teleconference to discuss results today, Wednesday, November 10, at 11:00 AM Eastern Time (18:00 Israel Time). To participate please dial 1-800-792-0846 from the US or Canada (toll free), 1-800-945-7877 from Israel (toll free), or 1-706-634-1485 from other locations approximately 5-10 minutes prior to the starting time. A replay of the call will be available from 2:00 PM ET on Wednesday, November 10, 2004, until 11:59 PM ET on Wednesday, November 17. To access the replay please dial 1-800-642-1687 from the US or Canada (toll free), 1-800-945-8731 from Israel (toll free), or 1-706-645-9291 from other locations and enter conference ID# 1590683.

### About MTS

Mer Telemanagement Solutions Ltd. is a global provider of operations support systems (OSS) for comprehensive telecommunication management and customer care & billing solutions. MTS' OSS is a full-featured customized solution for telecommunications management and customer care & billing. Its telecommunications enterprise resource planning (ERP) application suite is used by corporations and organizations to improve the efficiency and performance of all telecommunication and information technology (IT) operations, and to significantly reduce associated costs. Its affordable customer care and billing (CC&B) solutions are used by service providers and operators to support sophisticated billing, web-based self-provisioning and other revenue-generating applications.

Headquartered in Israel, MTS markets through wholly owned subsidiaries in the U.S., Hong Kong, Holland, and Brazil, and through OEM partnerships with Siemens, Phillips, and other PABX vendors. Its legacy call accounting solutions have been installed by over 60,000 customers in 60 countries. MTS' shares are traded on the NASDAQ SmallCap Market (symbol MTSL). For more information please visit the

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MTS web site: <http://www.mtsint.com>

Certain matters discussed in this news release are forward-looking statements that involve a number of risks and uncertainties including, but not limited to, risks in product development plans and schedules, rapid technological change, changes and delays in product approval and introduction, customer acceptance of new products, the impact of competitive products and pricing, market acceptance, the lengthy sales cycle, proprietary rights of the Company and its competitors, risk of operations in Israel, government regulations, dependence on third parties to manufacture products, general economic conditions and other risk factors detailed in the Company's filings with the United States Securities and Exchange Commission.

### CONSOLIDATED BALANCE SHEETS U.S. dollars in thousands

	September 30, 2004	September 30, 2003 Unaudited	December 31, 2003
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$7,459	\$8,328	\$8,684
Marketable securities	1,443	1,822	1,644
Trade receivables, net	1,320	1,102	1,391
Other accounts receivable and prepaid expenses	674	377	566
Inventories	189	220	193
<b>Total current assets</b>	<b>11,085</b>	<b>11,849</b>	<b>12,478</b>
<b>LONG-TERM INVESTMENTS:</b>			
Investments in an affiliate	1,926	1,687	1,859
Long-term loans, net of current maturities	70	105	95
Severance pay fund	548	574	564
Other investments	373	369	368
<b>Total long-term investments</b>	<b>2,917</b>	<b>2,735</b>	<b>2,886</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>539</b>	<b>524</b>	<b>482</b>
<b>OTHER ASSETS:</b>			
Goodwill	2,025	2,025	2,025
Capitalized software development costs	386	--	--
Other intangible assets, net	89	245	206
Deferred income taxes	105	169	105
<b>Total other assets</b>	<b>2,605</b>	<b>2,439</b>	<b>2,336</b>
<b>Total assets</b>	<b>\$17,146</b>	<b>\$17,547</b>	<b>\$18,182</b>

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### CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except per share data)

	September 30, 2004	September 30, 2003	December 31, 2003
	Unaudited		
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term loans	\$2	\$8	\$8
Trade payables	839	278	393
Accrued expenses and other liabilities	1,478	1,206	1,421
Deferred revenues	1,450	1,131	1,219
Total current liabilities	3,769	2,623	3,041
LONG-TERM LIABILITIES:			
Long-term loans, net of current maturities	--	2	--
Accrued severance pay	680	694	677
Total long-term liabilities	680	696	677
SHAREHOLDERS' EQUITY:			
Share capital -			
Ordinary shares of NIS 0.01 par value:			
Authorized:			
12,000,000 shares; Issued: 4,648,804, 4,565,138 and 4,631,471 shares at September 30, 2004 and 2003 and December 31, 2003, respectively;			
Outstanding:			
4,638,004, 4,562,038 and 4,624,471 shares at September 30, 2004 and 2003 and December 31, 2003, respectively	14	14	14
Additional paid-in capital	12,654	12,603	12,603
Treasury shares	(29)	(7)	(20)
Accumulated other comprehensive income(loss)	120	(82)	87
Retained earnings (accumulated deficit)	(62)	1,700	1,780
Total shareholders' equity	12,697	14,228	14,464
Total liabilities and shareholders' equity	\$17,146	\$17,547	\$18,182

### CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except per share data)

	Nine months ended September 30, 2004	September 30, 2003	Three months ended September 30, 2004	September 30, 2003	Year ended December 31, 2003
	Unaudited				
Revenues from products					

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and services	\$6,836	\$6,719	\$2,485	\$2,286	\$9,230
Cost of revenues from products and services	1,721	1,408	674	457	1,849
Gross profit	5,115	5,311	1,811	1,829	7,381
Operating expenses:					
Research and development, net	1,517	1,261	414	434	1,825
Selling and marketing	4,284	2,917	1,762	938	3,916
General and administrative	1,419	1,367	532	462	1,830
Total operating expenses	7,220	5,545	2,708	1,834	7,571
Operating loss	(2,105)	(234)	(897)	(5)	(190)
Financial income (expenses), net	46	27	27	(11)	124
Other income (expenses), net	(15)	6	15	--	6
Loss before taxes on income	(2,074)	(201)	(855)	(16)	(60)
Taxes on income	3	96	1	98	198
	(2,077)	(297)	(856)	(114)	(258)
Equity in earnings of affiliate	235	304	140	117	345
Net income (loss)	\$ (1,842)	\$ 7	\$ (716)	\$ 3	\$ 87
Net earnings (loss) per share:					
Basic and diluted net earnings (loss) per Ordinary share	\$ (0.40)	\$ --	\$ (0.15)	\$ --	\$ 0.02
Weighted average number of Ordinary shares used in computing basic earnings (loss) per share	4,629,523	4,610,000	4,638,004	4,577,000	4,617,099
Weighted average number of Ordinary shares used in computing diluted earnings (loss) per share	4,629,523	4,610,000	4,638,004	4,577,000	4,628,249

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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.

MER TELEMAGEMENT SOLUTIONS LTD.  
(Registrant)

By: /s/Eytan Bar  
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Eytan Bar  
President and  
Chief Executuve Officer

Date: November 10, 2004