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MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

August 11, 2005

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 August 2005

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-\_\_\_\_\_

This Form 6-K is being incorporated by reference into the Registrant's Form S-8  
Registration Statements File Nos. 333-12014 and 333-123321.

MER Telemagement Solutions Ltd.

6-K Items

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1. Press Release re MTS Reports Second Quarter 2005 Financial Results dated August 11, 2005.

ITEM 1

Press Release

Source: Mer Telemanagement Solutions Ltd.

MTS Reports Second Quarter 2005 Financial Results

Thursday August 11, 8:30 am ET

- Revenues Rise 41% Year-Over-Year -

RA'ANANA, Israel, Aug. 11 /PRNewswire-FirstCall/ -- MTS -- Mer Telemanagement Solutions Ltd. (Nasdaq SmallCap: 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 quarter ended June 30, 2005.

Revenues for the second quarter were \$2.8 million, compared to \$2.0 million reported in the second quarter of 2004, an increase of 41%.

Net loss for the quarter was \$1.15 million (\$0.24 basic and diluted net loss per ordinary share), compared to a net loss of \$929,000 (\$0.20 basic and diluted net loss per ordinary share) for the second quarter of 2004.

Eytan Bar, President and Chief Executive Officer of MTS, commented, "We continued to experience revenue and backlog growth in the second quarter, driven by increased sales of our billing solutions to the service provider and carrier markets. In addition, we increased our penetration of the enterprise market, and launched our latest suite of telemanagement products, the Invoice Management Solution, as part of the total Telecommunications Expense Management Solution for Enterprises."

"MTS' overall business continues to expand and we are executing our growth strategy as planned," continued Mr. Bar. "Our pipeline of orders is developing nicely and we are expanding our sales channels through strategic partnerships with market leading companies. Furthermore, the investments we made in R&D and sales and marketing over the past year are now supporting our expansion initiatives."

Gross profit for the second quarter rose 31% to \$1.94 million as a result of increased sales of products and services. This compares to gross profit of \$1.49 million reported in the second quarter of 2004 and \$ 1.89 million in the first quarter of 2005.

Research and development expenses doubled to \$1.17 million compared to the \$569,000 reported in the second quarter of 2004, but declined 13% compared to the \$1.34 million reported in the first quarter of this year. The sharp year-over-year increase in R&D expenses relates primarily to the continued integration of TeleKnowledge's R&D group, as well as to the Company's continuing investment in product development.

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Selling and marketing expenses were \$1.37 million in the second quarter, reflecting a modest decline year-over-year, compared to \$1.40 million reported in the second quarter of 2004, and a 10% decline compared to the first quarter of 2005. The continued reduction in selling and marketing demonstrates MTS' commitment to focus on the growing areas of its business.

Shlomi Hagai, Corporate COO & CFO, stated, "MTS ended the second quarter with a healthy, accumulated backlog of orders of approximately \$2 million, compared to \$1 million at the end of the first quarter. In addition, this marks the third consecutive quarter in which we have grown our order backlog. Moreover, it is the fourth consecutive quarter in which we have experienced revenue growth. We believe that our commitment to bring spending more in line with revenue generation positions us well for the future."

MTS' cash and cash equivalents, including marketable securities, were \$1.88 million as of June 30, 2005. The Company improved its cash position on August 10, 2005 when it entered into definitive agreements with institutional and private investors for a private placement of ordinary shares and warrants that raised \$2.8 million. If the warrants are exercised in full the Company will raise an additional \$1.5 million.

"We plan to use the proceeds from this financing to execute our growth strategy and to fund expanding activities in R&D and sales and marketing. We believe that our investment in these operational activities will drive future growth and ultimately improve our operating results," concluded Mr. Hagai.

### Six Months Results

Revenues for the first six months of FY 2005 were \$5.5 million, compared to \$4.3 million reported in the first six months of FY 2004, an increase of 27%.

Net loss for the period was \$3.2 million (\$0.68 basic and diluted net loss per ordinary share), compared to the net loss of \$1.1 million (\$0.24 basic and diluted net loss per ordinary share) for comparable period of FY 2004.

### Conference Call Information

MTS will conduct a teleconference to discuss the second quarter results on Thursday, August 11, at 11:00 AM Eastern Time (18:00 Israel Time). To access the call, please dial 1-877-270-4109 from the US or Canada (toll free), 1-809-315-341 from Israel (toll free), or 1-706-679-0560 from other locations approximately 5-10 minutes prior to the starting time.

A replay of the call also will be available from 2:00 PM ET on Thursday, August 11, 2005, until 11:59 PM ET on Thursday, August 18. To access the replay please, dial 1-800-642-1687 from the US or Canada (toll free), 1-809-315-356 from Israel (toll free), or 1-706-645-9291 from other locations and enter conference ID#7748694.

### 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

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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 United States, 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 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.

### Contacts:

#### Company

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#### Investor Relations:

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### CONSOLIDATED STATEMENTS OF OPERATIONS U.S. Dollars in thousands (except share data)

	Three months ended		Six months ended		Year ended
	June 30,		June 30,		December 31,
	2005	2004	2005	2004	2004
	Unaudited				
Revenues from products and services	\$2,812	\$1,992	\$5,538	\$4,351	\$9,413
Cost of revenues from products and services	869	506	1,707	1,047	2,814
Gross profit	1,943	1,486	3,831	3,304	6,599
Operating expenses:					
Research and development	1,167	569	2,510	1,103	2,362
Selling and marketing	1,370	1,397	2,897	2,522	6,300
General and administrative	677	490	1,722	887	2,101

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Total operating expenses	3,214	2,456	7,129	4,512	10,763
Operating loss	(1,271)	(970)	(3,298)	(1,208)	(4,164)
Financial income, net	11	(8)	30	19	78
Other income (expenses), net	72	2	74	(30)	--
Loss before taxes on income	(1,188)	(976)	(3,194)	(1,219)	(4,086)
Taxes on income	--	2	--	2	266
	(1,188)	(978)	(3,194)	(1,221)	(4,352)
Equity in earnings of affiliate	39	49	11	95	225
Net loss	\$ (1,149)	\$ (929)	\$ (3,183)	\$ (1,126)	\$ (4,127)
Net loss per share:					
Basic and diluted net loss per Ordinary share	\$ (0.24)	\$ (0.20)	\$ (0.68)	\$ (0.24)	\$ (0.89)
Weighted average number of Ordinary shares used in computing basic and diluted net loss per share	4,712,561	4,633,471	4,675,283	4,629,082	4,634,413

CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands (except share data)

	2005	June 30, 2004 Unaudited	December 31, 2004
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$1,750	\$8,461	\$3,814
Marketable securities	126	1,498	1,057
Trade receivables, net	1,853	1,069	1,348
Other accounts receivable and prepaid expenses	408	580	391
Inventories	180	193	178
Total current assets	4,317	11,801	6,788
LONG- TERM INVESTMENTS:			
Investment in an affiliate	1,707	1,760	2,119
Long-term loans, net of current maturities	26	73	45
Severance pay fund	518	565	535

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Other investments	373	371	373
Total long-term investments	2,624	2,769	3,072
PROPERTY AND EQUIPMENT, NET	583	460	581
OTHER ASSETS:			
Goodwill	3,511	2,025	3,415
Other intangible assets, net	1,169	128	1,394
Deferred income taxes	73	105	73
Total other assets	4,753	2,258	4,882
Total assets	\$12,277	\$17,288	\$15,323

CONSOLIDATED BALANCE SHEETS

U.S. Dollars in thousands (except share data)

	2005	June 30, 2004 Unaudited	December 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term loans	\$-	\$4	\$-
Trade payables	727	311	719
Accrued expenses and other liabilities	2,197	1,722	2,042
Deferred revenues	1,144	1,218	1,254
Total current liabilities	4,068	3,255	4,015
LONG-TERM LIABILITIES:			
Accrued severance pay	660	647	651
Total long-term liabilities	660	647	651
SHAREHOLDERS' EQUITY:			
Share capital -			
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares; Issued: 4,796,304 shares at June 30, 2005 and 4,648,804 shares at December 31, 2004; Outstanding: 4,785,504 shares at June 30, 2005 and 4,638,004 at December 31, 2004			
	15	14	14
Additional paid-in capital	13,267	12,638	12,879
Treasury shares	(29)	(20)	(29)
Deferred stock compensation	(176)	-	(208)
Accumulated other comprehensive income	2	100	348
Retained earnings (accumulated deficit)	(5,530)	654	(2,347)
Total shareholders' equity	7,549	13,386	10,657

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Total liabilities and shareholders' equity	\$12,277	\$17,288	\$15,323
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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 Executive Officer

Date: August 11, 2005