

MER TELEMAGEMENT SOLUTIONS LTD

Form 6-K

August 04, 2004

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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 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 Second Quarter 2004 Results dated August 4, 2004.

Press Release

Source: MTS - Mer Telemanagement Solutions Ltd.

MTS Reports Second Quarter 2004 Results

Wednesday August 4, 9:45 am ET

Continues Investments in Sales, Marketing and R&D

RA'ANANA, Israel, Aug. 4 /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 second quarter of 2004.

Revenues for the second quarter were \$2.0 million compared with \$2.2 million for the second quarter of 2003. Revenues for the first six months of 2004 were relatively flat compared to the prior year's period at \$4.4 million.

Net loss for the quarter was \$0.9 million or \$(0.20) per share, compared with a net loss of \$10,000, or \$0.00 per share, for the second quarter of 2003. Net loss for the six-month period of 2004 was \$1.1 million or \$(0.24) per share compared to net income of \$4,000 or \$0.00 per share for the same period in 2003.

Eytan Bar, MTS's President and Chief Executive Officer commented: "Although disappointing, the decrease in revenues for the quarter was a result of the continued implementation of our turnaround plan. The Company's new focus on larger and higher revenues generating enterprise and service provider solutions has extended our sales cycle. This revenue decrease and our continued investments in sales, marketing and research and development have impacted bottom line results for the quarter."

The Company's gross profit for the second quarter was \$1.5 million compared to \$1.8 million in the second quarter of 2003. Six-month gross profit was \$3.3 million compared to \$3.5 million in the prior year's period.

During the second quarter, the Company's investment in research and development totaled \$0.6 million, an increase from \$0.4 million for the second quarter of 2003. Research and development expenses for the first six-months of 2004 were \$1.1 million compared to \$0.8 million in the 2003 period.

Selling and marketing expenses for the quarter increased to \$1.4 million from \$1.1 million in the prior year's quarter. Six-month selling and marketing expenses were \$2.5 million compared to \$2.0 million for the first six months of 2003.

"We have added a total of 27 new employees across research and development, sales and professional services over the course of the quarter," noted Mr. Bar. "Our continued investments in these areas are part of our strategy to achieve a robust and comprehensive product offering, a sales force targeted to our key markets and enhanced customer service capabilities."

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During the quarter, MTS announced the expansion of its product offering to include billing, rating and customer care. "Integrating these new functions into our existing solutions, created a unique full-featured, cost-effective Operations Support Systems and Billing Support Systems solution for service providers and carriers" stated Mr. Bar.

Operating loss for the quarter totaled \$970,000 compared with \$88,000 for the second quarter of 2003. Operating loss for the six-month period totaled \$1.2 million compared to \$0.3 million for the same period in 2003.

Yossi Brikman, Corporate COO & CFO, noted that the Company ended the quarter with approximately \$10.0 million in cash and cash equivalents, including marketable securities.

"We continue to execute our turnaround strategy and invest in the business," concluded Mr. Bar. "We are adding to our global sales force, extending our product capabilities, building upon our professional services platform and expanding partner and reseller agreements. We remain committed to the enterprise and service provider markets and pursuing new contracts. We are optimistic as we look to the future for MTS."

The Company will conduct a teleconference to discuss the results today, Wednesday, August 4th, 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), 1-800-945-1221 From Israel (toll free), or +1-706-634-1485 from other locations approximately 5 minutes prior to the starting time. A replay of the call will be available from 2:00pm ET on Wednesday, August 4, 2004, until 11:00pm ET on Wednesday, August 11. 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.

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 stock exchange (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,

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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.

MER TELEMAGEMENT SOLUTIONS LTD. AND ITS SUBSIDIARIES			
CONSOLIDATED BALANCE SHEETS			
U.S. dollars in thousands			
	June 30, 2004	2003	December 31, 2003
	Unaudited		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$8,461	\$8,775	\$8,684
Marketable securities	1,498	1,532	1,644
Trade receivables, net	1,069	1,097	1,391
Other accounts receivable and prepaid expenses	580	528	566
Inventories	193	228	193
 Total current assets	 11,801	 12,160	 12,478
LONG-TERM INVESTMENTS:			
Investment in an affiliate	1,760	1,528	1,859
Long-term loans, net of current maturities	73	109	95
Severance pay fund	565	607	564
Other investments	371	376	368
 Total long-term investments	 2,769	 2,620	 2,886
PROPERTY AND EQUIPMENT, NET	460	552	482
OTHER ASSETS:			
Goodwill	2,025	2,025	2,025
Other intangible assets, net	128	283	206
Deferred income taxes	105	173	105
 Total other assets	 2,258	 2,481	 2,336
 Total assets	 \$17,288	 \$17,813	 \$18,182

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AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

	June 30, 2004 Unaudited	2003	December 31, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current maturities of long-term loans	\$4	\$8	\$8
Trade payables	311	400	393
Accrued expenses and other liabilities	1,722	1,372	1,421
Deferred revenues	1,218	1,173	1,219
Total current liabilities	3,243	2,953	3,041
LONG-TERM LIABILITIES:			
Long-term loans, net of current maturities	-	4	-
Accrued severance pay	647	785	677
Total long-term liabilities	647	789	677
SHAREHOLDERS' EQUITY:			
Share capital -			
Ordinary shares of NIS 0.01 par value - Authorized: 12,000,000 shares; Issued: 4,648,804 and 4,631,471 shares at June 30, 2004 and December 31, 2003, respectively; Outstanding: 4,641,804 and 4,624,471 shares at June 30, 2004 and December 31, 2003, respectively			
Additional paid-in capital	14	14	14
Treasury shares	(20)	-	(20)
Accumulated other comprehensive income (loss)	100	(90)	87
Retained earnings	654	1,697	1,780
Total shareholders' equity	13,386	14,071	14,464
Total liabilities and shareholders' equity	\$17,288	\$17,813	\$18,182

MER TELEMANAGEMENT SOLUTIONS LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six months ended June 30, 2004	2003	Three months ended June 30, 2004	2003	Year ended December 31, 2003
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	Unaudited				
Revenues from products and services	\$4,351	\$4,433	\$1,992	\$2,193	\$9,230
Cost of revenues from products and services	1,047	951	506	411	1,849
Gross profit	3,304	3,482	1,486	1,782	7,381
Operating expenses:					
Research and development	1,103	827	569	387	1,825
Selling and marketing	2,522	1,979	1,397	1,061	3,916
General and administrative	887	905	490	422	1,830
Total operating expenses	4,512	3,711	2,456	1,870	7,571
Operating loss	(1,208)	(229)	(970)	(88)	(190)
Financial income (expenses), net	19	38	(8)	21	124
Other income (expenses), net	(30)	6	2	6	6
Loss before taxes on income	(1,219)	(185)	(976)	(61)	(60)
Taxes on income	2	(2)	2	(2)	198
	(1,221)	(183)	(978)	(59)	(258)
Equity in earnings of affiliate	95	187	49	49	345
Net income (loss)	\$ (1,126)	\$ 4	\$ (929)	\$ (10)	\$ 87
Net earnings (loss) per share:					
Basic and diluted net earnings (loss) per Ordinary share	\$ (0.24)	\$ -	\$ (0.20)	\$ -	\$ 0.02
Weighted average number of Ordinary shares used in computing basic net earning (loss) per share	4,629,082	4,633,666	4,633,471	4,619,538	4,617,099
Weighted average number of Ordinary shares used in computing diluted net earning (loss) per share	4,629,082	4,633,666	4,633,471	4,619,538	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/Yossi Brikman

Yossi Brikman
Chief Financial Officer

Date: August 4, 2004