

EPLUS INC
Form 10-Q
October 09, 2007

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 quarter ended September 30, 2006

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: **0-28926**

ePlus inc.

(Exact name of registrant as specified in its charter)

Delaware	54-1817218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13595 Dulles Technology Drive, Herndon, VA 20171-3413
(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: **(703) 984-8400**

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 the past 90 days. Yes [] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer []

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

The number of shares of common stock outstanding as of August 31, 2007, was 8,231,741.

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ePlus inc. and Subsidiaries

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Explanatory Note

This Quarterly Report on Form 10-Q contains the restatement of our Condensed Consolidated Statements of Operations and Cash Flows for the three and six months ended September 30, 2005 for the effects of errors in accounting for stock options and other items. See Note 2, "Restatement of Consolidated Financial Statements" to our Unaudited Condensed Consolidated Financial Statements contained elsewhere in this document. For further discussion of the effects of the restatement, see the following sections of our Annual Report on Form 10-K for the year ended March 31, 2006: Explanatory Note; Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition; Item 9A. Controls and Procedures; and Note 2 to our Consolidated Financial Statements.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ePlus inc. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	As of March 31, 2006	As of September 30, 2006
	(in thousands)	
ASSETS		
Cash and cash equivalents	\$ 20,697	\$ 23,681
Accounts receivable—net	103,060	138,974
Notes receivable	330	293
Inventories	2,292	10,303
Investment in leases and leased equipment—net	205,774	223,178
Property and equipment—net	5,629	4,957
Other assets	10,038	16,577
Goodwill	26,125	26,125
TOTAL ASSETS	\$ 373,945	\$ 444,088

LIABILITIES AND STOCKHOLDERS' EQUITY**LIABILITIES**

Accounts payable—equipment	\$ 7,733	\$ 9,197
Accounts payable—trade	19,235	25,227
Accounts payable—floor plan	46,689	57,155
Salaries and commissions payable	4,124	4,511
Accrued expenses and other liabilities	33,346	37,792
Income taxes payable	104	1,321
Recourse notes payable	6,000	16,700
Nonrecourse notes payable	127,973	160,495
Deferred tax liability	165	165
Total Liabilities	245,369	312,563

COMMITMENTS AND CONTINGENCIES (Note 7)**STOCKHOLDERS' EQUITY**

Preferred stock, \$.01 par value; 2,000,000 shares authorized; none issued or outstanding	-	-
Common stock, \$.01 par value; 25,000,000 shares authorized; 11,037,213 issued and 8,267,223 outstanding at March 31, 2006 and 11,210,731 issued and 8,231,741 outstanding at September 30, 2006	110	112
Additional paid-in capital	72,811	75,505
Treasury stock, at cost, 2,769,990 and 2,978,990 shares, respectively	(29,984)	(32,884)
Deferred compensation expense	(25)	-
Retained earnings	85,377	88,420
Accumulated other comprehensive income— foreign currency translation adjustment	287	372

Total Stockholders' Equity	128,576	131,525
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 373,945	\$ 444,088

See Notes to Unaudited Condensed Consolidated Financial Statements.

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	Three Months Ended	
	September 30,	
	2005	2006
REVENUES	As Restated (1)	
	(dollar amounts in thousands, except per share data)	
Sales of product and services	\$ 159,409	\$ 180,313
Sales of leased equipment	-	1,819
	159,409	182,132
Lease revenues	11,916	13,522
Fee and other income	2,918	3,094
	14,834	16,616
TOTAL REVENUES	174,243	198,748
COSTS AND EXPENSES		
Cost of sales, product and services	143,742	160,596
Cost of sales, leased equipment	-	1,775
	143,742	162,371
Direct lease costs	3,798	5,572
Professional and other fees	1,776	4,764
Salaries and benefits	15,288	17,723
General and administrative expenses	4,975	4,385
Interest and financing costs	1,717	2,665
	27,554	35,109
TOTAL COSTS AND EXPENSES (2)	171,296	197,480
EARNINGS BEFORE PROVISION FOR INCOME TAXES	2,947	1,268
PROVISION FOR INCOME TAXES	1,198	290
NET EARNINGS	\$ 1,749	\$ 978
NET EARNINGS PER COMMON SHARE—BASIC	\$ 0.21	\$ 0.12
NET EARNINGS PER COMMON SHARE—DILUTED	\$ 0.19	\$ 0.12
WEIGHTED AVERAGE SHARES OUTSTANDING—BASIC	8,474,301	8,228,823

WEIGHTED AVERAGE SHARES OUTSTANDING—DILUTED	9,071,470	8,424,903
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(1) See Note 2, "Restatement of Consolidated Financial Statements."

(2) Includes amounts to related parties of \$219 thousand and \$238 thousand for the three months ended September 30, 2005 and September 30, 2006, respectively.

See Notes to Unaudited Condensed Consolidated Financial Statements.

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	Six Months Ended	
	September 30,	
	2005	2006
	As Restated (1)	
REVENUES	(dollar amounts in thousands, except per share data)	
Sales of product and services	\$ 294,278	\$ 355,646
Sales of leased equipment	-	1,819
	294,278	357,465
Lease revenues	23,211	24,853
Fee and other income	6,558	5,940
	29,769	30,793
TOTAL REVENUES	324,047	388,258
COSTS AND EXPENSES		
Cost of sales, product and services	265,830	316,625
Cost of sales, leased equipment	-	1,775
	265,830	318,400
Direct lease costs	7,594	10,596
Professional and other fees	2,724	6,050
Salaries and benefits	30,077	34,965
General and administrative expenses	9,437	8,871
Interest and financing costs	3,254	4,653
	53,086	65,135
TOTAL COSTS AND EXPENSES (2)	318,916	383,535
EARNINGS BEFORE PROVISION FOR INCOME TAXES	5,131	4,723
PROVISION FOR INCOME TAXES	2,082	1,681
NET EARNINGS	\$ 3,049	\$ 3,042