

CRYPTOLOGIC LTD  
Form 6-K  
May 07, 2009  
**FORM 6-K**

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16**

**of the Securities Exchange Act of 1934**

For the month of **May 2009**

Commission File Number                      **000-30224**

**CRYPTOLOGIC LIMITED**  
**Marine House, 3<sup>rd</sup> Floor**

**Clanwilliam Place**

**Dublin 2, Ireland**

Indicate by check mark whether the registrant files or will file annual reports under cover 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): \_\_\_

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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): \_\_\_

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.



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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.

CRYPTOLOGIC LIMITED

Date: May 7, 2009

Stephen Taylor

Chief Financial Officer

**EXHIBIT INDEX**

| <b><u>Exhibit No.</u></b> | <b><u>Description</u></b>       |
|---------------------------|---------------------------------|
| 99.1                      | Press Release dated May 7, 2009 |

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**FOR IMMEDIATE RELEASE****Symbol: TSX: CRY & CXY; NASDAQ: CRYP; LSE: CRP****CryptoLogic continues path to profitability amid challenging conditions**

**May 7, 2009 (Dublin, IRELAND)** – CryptoLogic, a world leader in Internet casino and branded gaming software, today announced its financial results for the first quarter ending March 31, 2009. The results reflect challenging economic conditions and a continuing transition in the company's revenue base, coupled with better-than-forecasted cost reductions in line with CryptoLogic's strategy to return to profitability and cash generation in 2009.

**Financial highlights:**

- Revenue of \$10.1 million (Q1 2008: \$19.3 million), primarily reflecting lower wagering activity due to global economic conditions and the adverse impact of a strong U.S. dollar
- Operating expenses decreased to \$8.2 million (Q1 2008: \$14.4 million)
- Net loss of \$1.3 million, improved from the last three quarters (Q1 2008 net profit: \$0.6 million)
- Diluted loss per share of \$0.10 (Q1 2008 diluted earnings per share: \$0.06)
- Total reorganization costs amounted to \$0.53 million (Q4 2008: \$20.6 million)
- Net cash at March 31, 2009: \$38.7 million (December 31, 2008: \$43.8 million)
- Announced a dividend of \$0.03 per share for the quarter, unchanged from Q4 2008

**Operating highlights:**

- Completed integration of poker customers with GTECH Corporation's network on schedule in March, substantially reducing costs while improving liquidity for players
- Formed strategic partnership with Gaming Technology Solutions PLC to make CryptoLogic games available to customers on GTS platform
- Signed exclusive casino deal with The Gaming Network (TGN) to provide Internet casino software to some of the U.K.'s most popular gaming sites
- Signed an exclusive licensing agreement for 10 games with Gala Coral in March 2009
- Announced multi-year licensing agreements with Paramount Digital Entertainment, Warner Bros. and DC Comics to bring characters such as Batman, Superman and Braveheart to leading Internet casinos
- Launched new three-game lineup featuring Marvel's legendary Spider-Man
- Won industry's major honour *Gambling Online Magazine's* Top Casino Software Award – for fourth consecutive year

**Outlook:**

- Revenue outlook expected to improve gradually as four licensees plan to launch 19 CryptoLogic-powered games in Q2 2009, with more than 50 games to follow in Q3 and 30 in Q4
- Restructuring program remains on track as CryptoLogic enjoys initial benefit of cost reductions in Q2, following March move to shared poker network

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- Management expects return to profitability and cash generation, in line with previous guidance

3RD FLOOR, MARINE HOUSE, CLANWILLIAM PLACE,

DUBLIN 2, IRELAND

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“In very challenging times, CryptoLogic continues to control what we can: containing costs, accelerating innovation and focusing on execution,” said Brian Hadfield, CryptoLogic’s President and CEO. “With our revenue base still in transition, we accelerated CryptoLogic’s cost-reduction program and continued to sign and support deals to bring the world’s best games to the world’s leading Internet casinos. It is a solid foundation for a return to profitability and cash generation this year.”

### Overview

In the first quarter of 2009, CryptoLogic made good progress in executing its strategy to focus on Internet casino hosting and the licensing of its branded gaming and associated software.

These activities provide the company with a competitive advantage by leveraging its position as a leading designer of exciting, character-rich betting games for gaming operators. In **PartyGaming**, **888.com** and **Betfair**, the company now has three of the world’s largest legal gaming operators on its roster of customers – as well as many of Europe’s other top brands.

As announced in March, the company has completed the integration of its poker network with that of GTECH Corporation. This enables a significant reduction in CryptoLogic’s cost base, the full benefit of which will be realized from the second quarter. The company will continue to manage its costs carefully in the light of global economic conditions, which led to reduced wagering in both the casino and poker markets.

### New customers to drive revenue growth

CryptoLogic continued to expand its customer base in the first quarter, signing new licensing deals with various major online gaming brands. The company announced a strategic partnership with **Gaming Technology Solutions PLC** to make CryptoLogic games available to the many leading gaming operators that use the GTS platform. CryptoLogic also signed an exclusive agreement with **The Gaming Network** to provide Internet casino software to some of the U.K.’s top gaming sites.

Subsequent to the quarter-end, the company announced two more deals licensing its most popular slot games to blue-chip European customers: **Gala Coral** is a large U.K.-based company that operates four of Europe’s most popular gaming sites, and **Betfair** is the world’s largest online betting community with over two million customers. **SkyBet**, who deploy games in the second quarter, will become the first licensee to launch CryptoLogic games through Orbis Technology’s Open Bet Fixed Odds Games platform. The move signals the successful integration of CryptoLogic games on the Orbis platform following a partnership struck in October 2008.

CryptoLogic has built a large and diversified licensee base, featuring 18 customers compared with 11 a year ago. **BetJacks** began offering CryptoLogic-powered games to its subscribers in the first quarter, and **PartyGaming** launched its first CryptoLogic games earlier this week. CryptoLogic’s customers are planning to roll out some 19 games in the second quarter, which creates significant revenue potential later this year. Recognizing the significant impact of reduced discretionary spending by consumers, CryptoLogic is strengthening support services to its larger licensees for marketing and player acquisition.

### E-gaming innovation

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CryptoLogic has also been very active in releasing new games, and in striking deals with owners of more top brands that will appear in future CryptoLogic games.

In January, the company released a three-game pack headlined by Spider-Man Revelations, a very popular new game featuring Marvel's most famous Super Hero. In April, CryptoLogic released a new

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downloadable game line-up featuring Call of Duty 4: Modern Warfare, based on one of the world's most widely played video games, and the eagerly anticipated Millionaire's Club III.

The company announced multi-year licensing agreements with Paramount Digital Entertainment, Warner Bros. and DC Comics to bring characters such as Batman, Superman and Braveheart to leading Internet casinos.

The first quarter also featured the unveiling of the CryptoLogic Centre for Innovation, which brings together industry leaders and gaming innovators to create new games and Internet gaming concepts. As announced on May 5, 2009, the first game from this new centre, Jenga, launched in April.

### Financial performance

**Total revenue:** CryptoLogic saw a moderate decline in revenue from \$11.4 million in the fourth quarter of 2008 to \$10.1 million in the first quarter of 2009. This included casino revenue of \$6.5 million and poker revenue of \$2.0 million. Revenue was affected by lower spending from the most avid players, coupled with the continued impact of the strong U.S. dollar. As noted above, CryptoLogic is responding not just by signing new customers, but also by strengthening support services to its larger customers for marketing and player acquisition.

**Earnings and Earnings per Diluted Share:** The company recorded a loss of \$1.3 million for the quarter, or \$0.10 per fully diluted share (based on a weighted average of 13,820,000 outstanding shares), an improvement on the three prior quarters. Operating expenses were down substantially, from \$13.3 million in the fourth quarter of 2008 to \$8.2 million in Q1. The company also recorded \$0.5 million in reorganization charges in the first quarter.

**Balance Sheet and Cash Flow:** CryptoLogic continues to have a strong balance sheet, ending the quarter with \$38.7 million in net cash (comprising cash and cash equivalents, restricted cash and security deposits), or \$2.80 per diluted share (December 31, 2008: \$43.8 million, or \$3.15 per diluted share). The decrease in net cash was due largely to movements in working capital and funds paid to secure the royalty rights of DC Comics including Superman and Batman. The company continues to be debt-free. CryptoLogic's working capital at March 31, 2009 was \$39.8 million or \$2.88 per diluted share (December 31, 2008: \$41.2 million or \$2.97 per diluted share).

**Dividend:** On May 5, CryptoLogic declared a dividend of \$0.03 per share for the quarter, unchanged from the fourth quarter of 2008. The dividend will be paid on June 15, 2009 to shareholders of record of CryptoLogic Limited and CryptoLogic Exchange Corporation as at June 8, 2009.

### Outlook

As indicated previously, the company continues to take a conservative view of its revenue outlook, as economic conditions remain volatile and consumer spending remains sluggish. CryptoLogic is focused on the factors it can control: its operating costs, robust new business activity, customer service and marketing support, and the company's innovation pipeline.

Management believes the combination of new customers and lower costs positions the company for a return to profitability and cash generation in 2009, in line with previous guidance.

CryptoLogic will hold its annual general meeting in Toronto on Wednesday June 3, 2009. Details are available on the company's website.

**Investor/analyst conference call**

CryptoLogic will hold a conference call today at **8:30 a.m. Eastern time (1:30 p.m. BST)** to update investors on the company's earnings in Q1 2009. The details of the call are as follows:

|                                 |                                     |
|---------------------------------|-------------------------------------|
| <b>Toll Free North America:</b> | <b>1-800-766-6630</b>               |
| <b>Toll Free UK:</b>            | <b>00 800-4222-8835</b>             |
| <b>Toll Free International</b>  | <b>(Country Code) 800-4222-8835</b> |
| <br>                            |                                     |
| <b>Toronto Dial-In Number:</b>  | <b>416-340-8410</b>                 |

*To participate, please call five to ten minutes prior to the start of the teleconference. This conference call will be recorded and available for replay approximately one hour after the completion of the call, up until midnight May 14, 2009. To listen to the replay, please dial **416-695-5800 or 1-800-408-3053, passcode 6303411#**. A transcript of the call will also be made available on CryptoLogic's website at [www.cryptologic.com](http://www.cryptologic.com) under Investor Information.*

**About CryptoLogic® (www.cryptologic.com)**

Focused on integrity and innovation, CryptoLogic Limited is a leading public developer and supplier of Internet gaming software. Its leadership in regulatory compliance makes it one of the very few companies with gaming software that is certified to strict standards similar to land-based gaming. WagerLogic® Limited, a wholly-owned subsidiary of CryptoLogic, is responsible for the licensing of its gaming software and services to blue-chip customers who offer their games to non-U.S. players around the world. For information on WagerLogic, please visit [www.wagerlogic.com](http://www.wagerlogic.com).

CryptoLogic's common shares trade on the Toronto Stock Exchange (CRY, CXY), the NASDAQ Global Select Market (CRYP) and the Main Market of the London Stock Exchange (CRP).

**For more information, please contact:**

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**CRYPTOLOGIC FORWARD LOOKING STATEMENT DISCLAIMER:**

Statements in this news release which are not historical are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, risks associated with the company's financial condition and prospects, legal risks associated with Internet gaming and risks of governmental legislation and regulation, risks associated with market acceptance and technological changes, risks associated with dependence on licensees and key licensees, risks relating to international operations, risks associated with competition and other risks detailed in the Company's filings with securities regulatory authorities. These risks may cause results to differ materially from those projected in the forward-looking statements.

**CRYPTOLOGIC LIMITED****CONSOLIDATED BALANCE SHEETS***(In thousands of US dollars)*

|                                             | <b>As at<br/>March 31,<br/>2009<br/>(unaudited)</b> | As at<br>December 31,<br>2008<br><i>(audited)</i> |
|---------------------------------------------|-----------------------------------------------------|---------------------------------------------------|
| <b>ASSETS</b>                               |                                                     |                                                   |
| <b>Current assets:</b>                      |                                                     |                                                   |
| Cash and cash equivalents                   | <b>\$ 33,491</b>                                    | \$ 36,348                                         |
| Restricted cash                             | <b>5,000</b>                                        | 7,175                                             |
| Security deposits                           | <b>250</b>                                          | 250                                               |
| Accounts receivable and other               | <b>6,752</b>                                        | 6,002                                             |
| Prepaid expenses                            | <b>7,854</b>                                        | 7,217                                             |
|                                             | <b>53,347</b>                                       | 56,992                                            |
| <br>                                        |                                                     |                                                   |
| User funds held on deposit                  | <b>6,737</b>                                        | 10,833                                            |
| Future income taxes                         | <b>3,208</b>                                        | 1,930                                             |
| Capital assets                              | <b>17,674</b>                                       | 18,703                                            |
| Long term investments                       | <b>6,021</b>                                        | 5,821                                             |
| Intangible assets                           | <b>4,822</b>                                        | 4,982                                             |
| Goodwill                                    | <b>6,545</b>                                        | 6,545                                             |
|                                             | <b>98,354</b>                                       | 105,806                                           |
| <br>                                        |                                                     |                                                   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                                                     |                                                   |
| <b>Current liabilities:</b>                 |                                                     |                                                   |
| Accounts payable and accrued liabilities    | <b>13,110</b>                                       | 15,356                                            |
| Income taxes payable                        | <b>420</b>                                          | 413                                               |
|                                             | <b>13,530</b>                                       | 15,769                                            |
| <br>                                        |                                                     |                                                   |
| User funds held on deposit                  | <b>6,737</b>                                        | 10,833                                            |
| Future income taxes                         | <b>318</b>                                          | 382                                               |
|                                             | <b>20,585</b>                                       | 26,984                                            |
| <br>                                        |                                                     |                                                   |
| <b>Minority interest</b>                    | <b>6,262</b>                                        | 6,382                                             |
| <br>                                        |                                                     |                                                   |
| <b>Shareholders' equity:</b>                |                                                     |                                                   |
| Share capital                               | <b>33,594</b>                                       | 33,552                                            |
| Stock options                               | <b>7,177</b>                                        | 6,856                                             |
| Retained earnings                           | <b>30,736</b>                                       | 32,032                                            |
|                                             | <b>71,507</b>                                       | 72,440                                            |
|                                             | <b>\$ 98,354</b>                                    | \$ 105,806                                        |





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|                                  |                  |           |
|----------------------------------|------------------|-----------|
| Retained earnings, end of period | <b>\$ 30,736</b> | \$ 71,464 |
|----------------------------------|------------------|-----------|

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**CRYPTOLOGIC LIMITED****CONSOLIDATED STATEMENTS OF CASHFLOWS***(In thousands of US dollars)**(Unaudited)*

|                                                                                          | <b>For the three months<br/>ended March 31,</b> |             |
|------------------------------------------------------------------------------------------|-------------------------------------------------|-------------|
|                                                                                          | <b>2009</b>                                     | <b>2008</b> |
| <b>Cash flows from (used in):</b>                                                        |                                                 |             |
| Operating activities:                                                                    |                                                 |             |
| Net earnings (loss)                                                                      | \$ (1,296)                                      | \$ 609      |
| Adjustments to reconcile earnings to cash provided<br>by (used in) operating activities: |                                                 |             |
| Amortization                                                                             | 1,305                                           | 1,396       |
| Unrealized (gain) on forward contract                                                    | (127)                                           | (243)       |
| Reorganization expense                                                                   | 532                                             | —           |
| Future income taxes                                                                      | (1,342)                                         | 28          |
| Minority interest                                                                        | (78)                                            | 162         |
| Stock options                                                                            | 321                                             | 690         |
|                                                                                          | (685)                                           | 2,642       |
| Change in operating assets and liabilities:                                              |                                                 |             |
| Accounts receivable and other                                                            | (750)                                           | 445         |
| Prepaid expenses                                                                         | (300)                                           | 267         |
| Accounts payable and accrued liabilities                                                 | (2,778)                                         | 1,283       |
| Income taxes payable                                                                     | (203)                                           | 464         |
|                                                                                          | (4,716)                                         | 5,101       |
| Financing activities:                                                                    |                                                 |             |
| Issue of capital stock, net                                                              | —                                               | 67          |
|                                                                                          | —                                               | 67          |
| Investing activities:                                                                    |                                                 |             |
| Purchase of capital assets                                                               | (116)                                           | (664)       |
| Purchase of other investments                                                            | (200)                                           | (1,019)     |
| Decrease in restricted cash                                                              | 2,175                                           | 14,976      |
| Decrease in security deposits                                                            | —                                               | 900         |
|                                                                                          | 1,859                                           | 14,193      |
| Increase (decrease) in cash and cash equivalents                                         | (2,857)                                         | 19,361      |
| Cash and cash equivalents, beginning of period                                           | 36,348                                          | 55,428      |
| Cash and cash equivalents, end of period                                                 | \$ 33,491                                       | \$ 74,789   |
| Supplemental cash flow information:                                                      |                                                 |             |
| Non cash portion of options exercised                                                    | \$ —                                            | \$ 29       |

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