

DALEEN TECHNOLOGIES INC

Form 8-K

February 24, 2003

**Securities And Exchange Commission**  
Washington, D.C. 20549

**FORM 8-K**

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 20, 2003

**Daleen Technologies, Inc.**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**0-27491**  
(Commission File Number)

**65-0944514**  
(I.R.S. Employer  
Identification No.)

**902 Clint Moore Road, Suite 230**  
**Boca Raton, Florida**  
(Address of principal executive offices)

**33487**  
(Zip Code)

**(561) 999-8000**  
(Registrant's telephone number, including area code)

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**Item 5 Other Events.**

Capsule Financial Information for the Three Months and Year Ended December 31, 2002. Daleen Technologies, Inc. (the Company) reported revenues of \$1.4 million for its fourth quarter of 2002, a slight increase over its third quarter revenues of \$1.2 million. Revenue for the year ended December 31, 2002 was \$6.6 million compared to \$12.4 million for the year ended December 31, 2001. Net loss for the quarter was \$3.0 million, or \$0.11 per share, compared to a \$16.3 million net loss, or \$0.75 per share, for the same period in 2001. Net loss for the year ended December 31, 2002 was \$9.7 million, or \$0.40 per share, a decrease of almost 92% compared to the net loss of \$119.5 million, or \$5.47 per share, for the prior year. The Company's results for the three months and year ended December 31, 2002 include ten days of activity for Daleen Solutions, Inc. ( Daleen Solutions ), the Company's wholly-owned subsidiary that was formed to consummate the acquisition of the assets and certain liabilities of Abiliti Solutions, Inc. ( Abiliti ) on December 20, 2002.

**Fourth Quarter Highlights:**

The Company finalized the asset acquisition of Abiliti, a privately-held provider of carrier-class telecommunications billing, event management and revenue assurance solutions. Daleen Solutions acquired Abiliti's assets and certain liabilities on December 20, 2002. Concurrent with the transaction closing, the Company received a private investment of approximately \$5.0 million from Behrman Capital II L.P. and an affiliated fund (collectively, the Behrman Funds ).

Total expenses for the fourth quarter of 2002 increased to \$4.3 million, compared to \$3.0 million for the previous quarter, primarily as a result of severance costs that were recorded in conjunction with the acquisition of Abiliti's assets and the private placement, and costs recorded related to the operations of Daleen Solutions for the period following the consummation of the acquisition through December 31, 2002. Cash used in operating activities in the fourth quarter increased to \$2.4 million, due to prepayments of approximately \$800,000 for annual insurance premiums.

Total expenses for the year-ended December 31, 2002 were \$17.0 million, compared to total expenses of \$104.5 million for the prior year. Total expenses included \$745,000 and \$11.8 million in restructuring charges in 2002 and 2001, respectively, and \$34.6 million in goodwill impairment charges in 2001.

Eschelon Telecom, one of the fastest growing Integrated Communications Providers in the U.S., signed a multi-year license and services contract to use the Company's RevChain Commerce and RevChain Interact solutions as the billing platform for its comprehensive suite of telecom and Internet services. The Company anticipates that it will record revenues from this contract, which includes a combination of license, services and maintenance fees, starting in January 2003.

Long-term customer PaeTec Communications completed its migration from the Company's BillPlex® client-server product architecture to the RevChain web-based platform. PaeTec took advantage of RevChain's open platform and modular architecture to carry out the migration on its own, including the integration of RevChain to its order management system, with minimal external support.

The Company announced a new license and services agreement with AAPT, one of Australia's three largest telecommunications carriers. The new contract gives the Company primary

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responsibility for the current implementation of RevChain at AAPT and establishes a direct relationship between the two companies to facilitate future deployments of RevChain into additional business units.

### **Information with Respect to Forward-Looking Statements**

Statements in this report may be considered forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These include statements regarding the intent, belief or current expectations of the Company and the assumptions on which these statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include the ability of the Company to successfully integrate the Abiliti assets, operations and management; the ability of the Company to maintain current customer relationships; the Company's ability to continue as a going concern; the ability of the Company to increase its revenues; the fact that the Company has not yet achieved profitability; variance of quarterly operating results; competition; use of strategic relationships to implement and sell the Company's products; potential customers' market position and lack of financial resources; low price and volatility of the Company's common stock and the impact of the delisting from The Nasdaq SmallCap Market; on-going securities class action against the Company; the costs and success of the Company's international expansion; and the rights and preferences of the series F convertible preferred stock. These factors and others are described in the Company's most recent SEC filings including the Proxy and the most recently filed Form 10-K and in the Company's Quarterly Reports on Form 10-Q, as well as the Company's proxy statement on Schedule 14A filed in connection with the asset purchase and private placement. The Company undertakes no obligation to update the forward-looking statements in this report.

### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### **DALEEN TECHNOLOGIES, INC.**

By: /s/ Jeanne Prayther

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Jeanne Prayther  
Chief Financial Officer and Secretary

Dated: February 24, 2003

## Daleen Technologies, Inc. and Subsidiaries

**Condensed Consolidated Balance Sheets**  
**(in thousands)**  
**Unaudited**

|                                            | <b>December 31<br/>2002</b> | <b>December 31<br/>2001</b> |
|--------------------------------------------|-----------------------------|-----------------------------|
| <b>Assets</b>                              |                             |                             |
| Current assets:                            |                             |                             |
| Cash and cash equivalents                  | \$ 6,589                    | \$ 13,093                   |
| Restricted cash                            | 30                          | 30                          |
| Accounts receivable, net                   | 2,761                       | 2,885                       |
| Costs in excess of billings                |                             | 5                           |
| Other current assets                       | 1,022                       | 431                         |
|                                            | 10,402                      | 16,444                      |
| Total current assets                       |                             |                             |
| Property and equipment, net                | 1,824                       | 2,704                       |
| Goodwill                                   | 5,086                       |                             |
| Other assets                               | 1,477                       | 2,045                       |
|                                            | \$ 18,789                   | \$ 21,193                   |
| <b>Liabilities and Stockholders Equity</b> |                             |                             |
| Current liabilities:                       |                             |                             |
| Accounts payable                           | 368                         | 678                         |
| Accrued payroll and other accrued expenses | 2,740                       | 3,733                       |
| Billings in excess of costs                | 616                         | 1,323                       |
| Deferred revenue                           | 1,279                       | 1,013                       |
| Other current liabilities                  | 53                          |                             |
|                                            | 5,056                       | 6,747                       |
| Total current liabilities                  |                             |                             |
| Long term portion of capitalized lease     | 26                          |                             |
|                                            | 5,082                       | 6,747                       |
| Total liabilities                          |                             |                             |
| Minority Interest                          |                             | 184                         |
| Total stockholders equity                  | 13,707                      | 14,262                      |
|                                            | \$ 18,789                   | \$ 21,193                   |
| Total liabilities and stockholders equity  |                             |                             |

## Daleen Technologies, Inc. and Subsidiaries

**Condensed Consolidated Statements of Operations**  
(in thousands except per share data)  
**Unaudited**

|                                                                                | Three Months ended  |                          |                     | Twelve Months ended |                     |
|--------------------------------------------------------------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
|                                                                                | December 31<br>2002 | September<br>30,<br>2002 | December 31<br>2001 | December 31<br>2002 | December 31<br>2001 |
| <b>Revenue:</b>                                                                |                     |                          |                     |                     |                     |
| License fees                                                                   | \$ 90               | \$ 397                   | \$ 372              | \$ 1,450            | \$ 3,565            |
| Professional services and other                                                | 1,283               | 849                      | 1,266               | 5,154               | 8,867               |
| <b>Total revenue</b>                                                           | <b>1,373</b>        | <b>1,246</b>             | <b>1,638</b>        | <b>6,604</b>        | <b>12,432</b>       |
| <b>Cost of revenue:</b>                                                        |                     |                          |                     |                     |                     |
| License fees                                                                   |                     | 34                       | 42                  | 232                 | 1,646               |
| Professional services and other                                                | 604                 | 404                      | 970                 | 2,523               | 7,302               |
| <b>Total cost of revenue</b>                                                   | <b>604</b>          | <b>438</b>               | <b>1,012</b>        | <b>2,755</b>        | <b>8,948</b>        |
| <b>Gross margin</b>                                                            | <b>769</b>          | <b>808</b>               | <b>626</b>          | <b>3,849</b>        | <b>3,484</b>        |
| <b>Operating expenses:</b>                                                     |                     |                          |                     |                     |                     |
| Sales and marketing                                                            | 705                 | 789                      | 2,114               | 3,738               | 10,895              |
| Research and development                                                       | 869                 | 713                      | 1,591               | 3,967               | 12,502              |
| General and administrative                                                     | 2,135               | 1,093                    | 2,715               | 5,817               | 13,820              |
| Amortization of goodwill and other intangibles                                 |                     |                          | 6,689               |                     | 12,014              |
| Impairment of long lived assets                                                |                     |                          |                     |                     | 34,604              |
| Restructuring and impairment charges                                           |                     |                          | 4,021               | 745                 | 11,763              |
| <b>Total operating expenses</b>                                                | <b>3,709</b>        | <b>2,595</b>             | <b>17,130</b>       | <b>14,267</b>       | <b>95,598</b>       |
| <b>Operating loss</b>                                                          | <b>(2,940)</b>      | <b>(1,787)</b>           | <b>(16,504)</b>     | <b>(10,418)</b>     | <b>(92,114)</b>     |
| <b>Other income:</b>                                                           |                     |                          |                     |                     |                     |
| Interest income and nonoperating income<br>(expense), net                      | (66)                | 42                       | 175                 | 366                 | 1,125               |
| Gain on sale of subsidiary                                                     |                     |                          |                     | 391                 |                     |
| <b>Total other income, net</b>                                                 | <b>(66)</b>         | <b>42</b>                | <b>175</b>          | <b>757</b>          | <b>1,125</b>        |
| <b>Net loss</b>                                                                | <b>\$ (3,006)</b>   | <b>\$ (1,745)</b>        | <b>\$ (16,329)</b>  | <b>\$ (9,661)</b>   | <b>\$ (90,989)</b>  |
| Less: preferred stock dividends arising from<br>beneficial conversion features |                     |                          |                     |                     | (28,512)            |
| <b>Net loss applicable to common shareholders</b>                              | <b>\$ (3,006)</b>   | <b>\$ (1,745)</b>        | <b>\$ (16,329)</b>  | <b>\$ (9,661)</b>   | <b>\$ (119,501)</b> |

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|                                                                          |           |           |           |           |           |
|--------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net loss applicable to common shareholders per share - basic and diluted | \$ (0.11) | \$ (0.07) | \$ (0.75) | \$ (0.40) | \$ (5.47) |
| Weighted average outstanding shares basic and diluted                    | 26,461    | 23,376    | 21,875    | 23,919    | 21,836    |