

TOP IMAGE SYSTEMS LTD
Form 6-K
February 24, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of February, 2006

Commission File Number 001-14552

Top Image Systems Ltd.

(Translation of registrant's name into English)

2 Habarzel Street, Ramat Hahayal, Israel 69710

(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 whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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CONTENTS

Attached hereto is a copy of the Registrant's press release dated February 23, 2006, reporting results for the three months and year ended December 31, 2005.

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.

Top Image Systems Ltd.

Date: February 23, 2006

BY: /S/ Ido Schechter

Ido Schechter
Chief Executive Officer

FOR IMMEDIATE RELEASE

EARNINGS RELEASE

Top Image Systems Revenues Up by 50% in Year 2005

Sequential quarterly growth of 15% in revenues and 50% in net profit

Tel Aviv, Israel February 23, 2006 Top Image Systems, Ltd. (NASDAQ: TISA), the leading innovator of data capture solutions, announced today the financial results for its fourth quarter and full year 2005.

Revenues for the fourth quarter of 2005 were a record \$4.71 million, an increase of 25% from the \$3.76 million revenues for the fourth quarter of 2004, and a 15% increase from the \$4.11 million revenues for the third quarter of 2005. TIS operating profit in the fourth quarter was \$202 thousand, compared with an operating loss of \$426 thousand in the fourth quarter of 2004, and operating profit of \$87 thousand in the third quarter of 2005.

Net income for the fourth quarter was \$152 thousand, compared with a net loss of \$250 thousand in the fourth quarter of 2004, and net income of \$101 thousand in the third quarter of 2005. Net income per share in this quarter was \$0.017 compared with net loss per share of \$0.030 in the fourth quarter of 2004, and net income per share of \$0.012 in the third quarter of 2005.

Revenues for the year ended December 31, 2005 were \$16.82 million, a 50% increase from the \$11.18 million revenues for year 2004. TIS operating loss for the year was \$285 thousands compared with an operating loss of \$346 thousand in 2004. The net loss for the year was \$461 thousand, compared with a net loss of \$168 thousand for year 2004. Loss per share in 2005 was \$0.052 compared with a loss per share of \$0.020 in 2004.

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Fourth quarter and year highlights:

Increased operating profit quarter-over-quarter by 132%.

Total quarterly revenues in the fourth quarter increased to \$4.71 million, up 25% from \$3.76 million in the fourth quarter of 2004.

Total annual revenues in 2005 increased to a record of \$16.82 million, up 50% from \$11.18 million in year 2004.

In the fourth quarter, the company generated positive operational cash flow.

41% of yearly revenues were generated from services.

Success in the Pacific Rim, generating 14% of company's yearly revenues;

Growing success for *Smart*, TIS solution for mail classification. Offering state-of-the-art, algorithm based solution for classifying, routing and indexing of any incoming information, *Smart* is already installed in over half a dozen projects.

eFLOW Ability, the new integrated connector into SAP systems, gained ground and is already implemented in seven projects for manufacturing and logistics companies in Europe and the USA.

Company signed a five-year site license deal with the Australian Ministry of Defense, extending the use of *eFLOW* system to human resources, personal files, and medical record applications as well as additional accounts payable functions. In addition to its obvious value for TIS revenues, this deal is strategically important for the company as it provides a strong client reference in the Pacific Rim and further strengthens partnership with CSC.

The company deepened relationships with CACI and jointly won and is implementing the 2006 Irish census and additional projects for local UK governments.

With the selection of *eFLOW* by Prodata, company provides technological solutions for the four largest service bureaus in Germany.

In 2005, the company reinforced its relationship with strong partners and distributions including Accenture, Xerox, CSC, CACI, Atos and Recall.

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We are delighted to announce our record fourth-quarter and year 2005 results. Revenues, operating profits, profit before tax and EPS are all up with strong organic year-over-year growth, commented Dr. Ido Schechter, Chief Executive Officer of Top Image Systems.

Through 2005, we worked according to our three-year strategic plan and implemented it step by step. Most of our objectives were fully met. Our customers have welcomed the benefits that our widening solution has brought and we are enjoying a growing level of sales activity, added Dr. Schechter.

In 2006 we intend to further strengthen our relationships with strong partners and distributions, while expanding our partners list to include additional partners, in order to ensure a steady revenue flow. Our market's growth rate is estimated at 14%, and we expect TIS' growth in 2006 to exceed this level. We aim to maintain the growth in revenues and profit by continuing our focus on those territories where we have a strong presence. Given our achievements in the 2005, we are confident in our prospects for year 2006, concluded Dr. Schechter.

Conference Call

TIS management will host a conference call today, February 23, 2006, at 10:00am EST (7:00 am. PST, 3:00pm UK Time, 5:00pm Israel Time) to review the fourth quarter and full year financial results and other corporate events. Dr. Ido Schechter, CEO, and Arie Rand, CFO, will be on-line to discuss these results and take part in a question and answer session.

The call can be accessed by dialing:

US Dial-in Number: 1 866 229 7198
UK Dial-in Number: 0 800 917 9141
ISRAEL Dial-in Number: 03 918 0610
INTERNATIONAL Dial-in Number: +972 3 918 0610

Participants are asked to call the number approximately 10 minutes before the conference call begins.

For those unable to listen to the live call, a replay of the call will be available for three months from the day after the call in the investor relations section of Top Image Systems' website, at: www.topimagesystems.com

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About Top Image Systems

Top Image Systems is a leading innovator of enterprise solutions for managing and validating content entering organizations from various sources. Whether originating from mobile, electronic, paper or other sources, TIS solutions deliver the content to applications that drive the organization. TIS *eFLOW Unified Content Platform* is a common platform for the company's solutions. TIS markets its platform in more than 30 countries through a multi-tier network of distributors, system integrators, value added resellers as well as strategic partners. Visit the company's website www.TopImageSystems.com for more information.

Caution Concerning Forward-Looking Statements

Certain matters discussed in this news release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as anticipate, project, expect, plan, intend, may, should, will and similar words or expressions identify some of these statements. These statements are based on management's current expectations or beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially 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 regulation, dependence on third parties to manufacture products, quarterly fluctuations in sales of products in the Data Capture market (where in general the fourth quarter is the strongest and the first quarter is the weakest), the Company's ability to successfully integrate TIS Japan, litigation (including litigation over intellectual property rights), general economic conditions and other risk factors detailed in the Company's most recent annual report on Form 20-F and other subsequent filings with the United States Securities and Exchange Commission. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

Contacts:

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FINANCIAL TABLES FOLLOW

Top Image Systems Ltd.
Consolidated Statements of Operations for the

| | Three months ended | Three months ended | Year ended | Year ended |
|---|--------------------|--------------------|----------------|----------------|
| | December 31, | December 31, | December 31, | December 31, |
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| Revenues | | | | |
| Product sales | 3,128 | 2,433 | 9,888 | 6,964 |
| Service revenues | 1,582 | 1,334 | 6,932 | 4,214 |
| | <u>4,710</u> | <u>3,767</u> | <u>16,820</u> | <u>11,178</u> |
| Cost of revenues | | | | |
| Product costs | 1,095 | 796 | 3,363 | 1,971 |
| Service costs | 775 | 552 | 3,400 | 1,501 |
| | <u>1,870</u> | <u>1,348</u> | <u>6,763</u> | <u>3,472</u> |
| Gross profit | 2,840 | 2,419 | 10,057 | 7,706 |
| Research and development costs | 368 | 291 | 1,312 | 929 |
| Selling and marketing | 1,356 | 1,451 | 5,396 | 4,547 |
| General and administrative | 914 | 1,103 | 3,470 | 2,576 |
| Liquidated damages related to September 2004 PIPE | | | 164 | |
| | <u>2,638</u> | <u>2,845</u> | <u>10,342</u> | <u>8,052</u> |
| Operating profit (loss) | 202 | (426) | (285) | (346) |
| Financing income (expenses), net | (20) | 188 | (146) | 178 |
| Income (loss) before taxes on income | 182 | (238) | (431) | (168) |
| Taxes on Income | (30) | - | (30) | - |
| Net income (loss) for the period | <u>152</u> | <u>(238)</u> | <u>(461)</u> | <u>(168)</u> |
| Basic net income (loss) per share | <u>0.017</u> | <u>(0.030)</u> | <u>(0.053)</u> | <u>(0.020)</u> |

Weighted average number of

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| | <u>Three months ended</u> | <u>Three months ended</u> | <u>Year ended</u> | <u>Year ended</u> |
|---|---------------------------|---------------------------|-------------------|-------------------|
| shares used to compute basic income (loss) per share | 8,777,366 | 8,416,031 | 8,764,222 | 6,905,559 |
| Dilutive net income (loss) per share | 0.017 | (0.030) | (0.052) | (0.020) |
| Weighted average number of shares used to compute Dilutive income (loss) per share | 8,861,734 | 8,416,031 | 8,891,921 | 6,905,559 |

Top Image Systems Ltd.
Consolidated Balance Sheet as of

| | December 31 | December 31 |
|--|---------------|---------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | 8,200 | 10,136 |
| Marketable securities | 1,805 | 279 |
| Trade receivables, net | 6,802 | 5,541 |
| Other current assets | 620 | 566 |
| | <u>17,427</u> | <u>16,522</u> |
| Total current assets | 17,427 | 16,522 |
| Severance funds pay | 654 | 571 |
| | <u>654</u> | <u>571</u> |
| Property and equipment | | |
| Cost | 2,358 | 2,194 |
| Less / accumulated depreciation | (1,781) | (1,576) |
| | <u>577</u> | <u>618</u> |
| Net property and equipment | 577 | 618 |
| Goodwill | 465 | 465 |
| Net intangible assets | 1,100 | 1,419 |
| Other long-term assets, net | 135 | 147 |
| | <u>135</u> | <u>147</u> |
| Total assets | 20,358 | 19,742 |
| | <u>20,358</u> | <u>19,742</u> |
| Current liabilities: | | |
| Short-term bank loans | 2,179 | 1,707 |
| Trade payables | 900 | 405 |
| Accrued liabilities and other payables | 2,213 | 2,178 |
| | <u>5,292</u> | <u>4,290</u> |
| Total current liabilities | 5,292 | 4,290 |
| Long-term liabilities: | | |
| Liability for severance pay, net | 850 | 757 |

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| | <u>December 31</u> | <u>December 31</u> |
|--|--------------------|--------------------|
| Total long-term liabilities | 850 | 757 |
| Total liabilities | 6,142 | 5,047 |
| Shareholders' equity | | |
| Share capital - Ordinary share of NIS 0.04 par value | 97 | 97 |
| Additional paid in capital | 29,561 | 29,579 |
| Comprehensive income | | (2) |
| Accumulated deficit | (15,442) | (14,979) |
| Total shareholders' equity | 14,216 | 14,695 |
| Total liabilities and shareholders' equity | 20,358 | 19,742 |