

TOP IMAGE SYSTEMS LTD
Form 6-K
March 16, 2009

**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 March, 2009

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

This Form 6-K including all attachments is being incorporated by reference into the Registration Statement on Form S-8 (file no. 333-125064) and the Registration Statement on Form F-3 (file no. 333-119885).

CONTENTS

Attached hereto is a copy of the Registrant's press release dated March 16, 2009, reporting the results for the year ended at December 31, 2008.

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: March 16, 2009

By: /s/ Ido Schechter

Ido Schechter
Chief Executive Officer

FOR IMMEDIATE RELEASE

BUSINESS NEWS

Top Image Systems Reports

39% Increase in Full Year Revenues to a Record \$32.2 million

2008 net income of \$604 thousand compared to loss of \$6.3 million in previous year

Conference call today, scheduled at 11am EDT

Tel Aviv, Israel March 16, 2009 Top Image Systems, Ltd. (TIS) (NASDAQ: TISA , TASE: TISA), the leading innovator of data capture solutions, today announced its financial results for the fourth quarter and full year, ended December 31, 2008.

Highlights

Full year revenues increased 39% year-over-year to \$32.2 million, well ahead of the industry growth rate;
Strong performance in Continental Europe, US and Latin America;
Continued strong and globally diversified sales pipeline;
Executing on strategy and discontinued sales of low-margin third-party hardware which the Company believes will lead to higher gross margins in the coming quarters;
The discontinuation of the hardware sales led to a sequential and slight year-on-year reduction in quarterly revenues, reaching \$6.5 million;
Amalgamated Chinese operations to one office, closing a second office, which will lead to large cost savings in 2009 and beyond;
Full year 2008 net income of \$604 thousand versus loss of \$6.3 million last year;

Fourth Quarter 2008 Results

Revenues for the fourth quarter of 2008 reached \$6.5 million, a decrease of 2% from the fourth quarter of 2007, and a decrease of 23% compared with the third quarter of 2008. 43% of fourth quarter revenues were generated from products and 57% from services. The primary cause of the sequential and year-over-year decline in revenues is due to the absence of lower margin third-party hardware sales in Asia, in line with the Company's strategy to increase profitability.

Operating loss for the fourth quarter of 2008 reached \$3.0 million compared with an operating loss of \$4.9 million for the fourth quarter of 2007 and operating profit of \$0.3 million for the third quarter of 2008. The operating expenses in the quarter included a one-time impairment charge of \$1.8 million. This charge is non-cash in nature and due to a decrease in fair value of goodwill of \$1.3 million at the Company's Chinese subsidiary, Asiasoft Global, and a decrease of \$0.5 million in the fair value of certain intangible assets at the Company's UK subsidiary, Capture Projects Ltd. (CPL).

During the quarter, the Company closed its office in Guangzhou, China, and these operations have been classified in the income statement as discontinued. Discontinued operations amounted to \$0.4 million in the quarter.

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Net income for the fourth quarter of 2008 totaled \$1.6 million, compared to a loss of \$2.9 million in the fourth quarter of 2007 and to a net loss of \$0.9 million in the third quarter of 2008.

Fully diluted net income per share in the fourth quarter of 2008 was \$0.13, compared with a loss per share of \$0.32 in the fourth quarter of 2007 and a loss per share of \$0.10 in the third quarter of 2008.

Net income was positively impacted by the financial income in the quarter, which was \$5.1 million, compared with \$1.9 million in the fourth quarter of 2007 and a financial expense of \$1.2 million in the prior quarter.

It is important to note that since the beginning of 2008, the Company adopted Financial Accounting Standard Board Statement no. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159) as of the start of 2008. Therefore the Company's debenture is currently accounted for at fair value. This fair value is based on a base debenture market price and also depends on the exchange rate between the Israeli Shekel and US Dollar. These values change on a daily basis, and the dollar has significantly strengthened against the Israeli shekel in the fourth quarter. While the debenture's value fluctuation affects financial expenses, it has no effect on operating income.

Full Year 2008 Results

Revenues for the year increased 39% to \$32.2 million, from \$23.2 million for 2007. Operating loss for the year totaled \$1.7 million, but includes the above-mentioned impairment charge of \$1.8 million. This is compared with an operating loss of \$8.1 million for 2007.

Discontinued operations in the year due to the closure of the office in Guangzhou, China, amounted to \$0.8 million.

Net income for the year totaled \$0.6 million, compared with a loss of \$6.3 million for the 2007. Fully diluted income per share for the year totaled \$0.07 compared with a basic loss per share of \$0.72 in 2007.

Management comment

2008 was a fantastic year for TIS in which we chalked up many accomplishments, commented Dr. Ido Schechter, Top Image Systems' CEO. Despite the global economic downturn and high currency volatility, we presented record top and bottom line results. We are encouraged to see that the steps we took as part of the comprehensive restructuring plan initiated at the end of 2007, of improving efficiency and reducing costs, are bearing fruit. Our regional independent profit centers are now highly focused on both their top and bottom line, and we have subsequently seen improvement in all our regions during the year. We have been successful in improving our gross margin over last year, through our increased focus on selling solutions with a higher software component. Finally, we are targeting larger and more secure governmental deals and encouraging our major partners to become more active in generating deal flow. This is all in order to increase the number of opportunities and our footprint in the market, and we are very happy with the length and diversity of our sales pipeline.

Continued Dr. Schechter, "While the global downturn affects everyone, we believe that our niche market which is associated with quick and high ROI, is more defensive than other IT markets. However, to be on the prudent side, we have taken a number of additional streamlining actions in the current quarter, in order to avoid potential future difficulties and increase our profitability in the near-term. These included a drastic decrease in our fixed expenses as well as a headcount reduction in Asia-Pacific. We achieved this through the carefully planned closure of our Guangzhou office, one of our two offices in China.

We end 2008 with an operating platform primed for increased profitability. Our strategy in 2009 aims for achieving larger deal size, as well as improved gross and operating margins by way of selling solely software solutions combined with lower fixed costs. However, given the global downturn, we tread particularly carefully and remain cautious. We aim to leverage the current environment to maintain and build on our market leadership, enhancing our competitive positioning. Most importantly, we expect to be profitable on an operating level and look forward to a successful 2009," concluded Dr. Schechter.

Conference Call

The Company will be holding a conference call today, March 16, 2009, at 11:00am EDT (8:00am Pacific Time, 5:00pm Israel Time) to review the fourth quarter and year end 2008 financial results and other corporate events.

Dr. Ido Schechter, CEO, will be on-line to discuss these results and take part in a question and answer session.

To participate, please call one of the following teleconferencing numbers at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

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US Dial-in Number: 1-866-345-5855

ISRAEL Dial-in Number: 03-918-0692

INTERNATIONAL Dial-in Number: +972-3-918-0692

The call will also be broadcast live, and can be accessed through a link on Top Image Systems website at: www.topimagesystems.com.

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

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's eFLOW Unified Content Platform is a common platform for the company's solutions. TIS markets its platform in more than 40 countries through a multi-tier network of distributors, system integrators, value-added resellers as well as strategic partners. Visit the company's website <http://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, particularly statements regarding future operating or financial performance. Words such as will, expects, anticipates, estimates, intends, believes, plans and words and terms of similar substance in connection with any discussion of future operating or financial performance identify forward-looking 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 TIS 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), TIS's ability to successfully integrate businesses it acquires, 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.

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Top Image Systems Ltd. Consolidated Balance Sheet as at

	December 31, 2007	December 31, 2008
	In thousands US\$	
Assets		
Current assets:		
Cash and cash equivalents	8,156	7,008
Short term deposit	-	722

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	December 31, 2007	December 31, 2008
Marketable securities	5,050	630
Trade receivables and unbilled customers, net	8,287	6,469
Other account receivables and prepaid expenses	1,758	1,081
	<hr/>	<hr/>
Total current assets	23,251	15,910
	<hr/>	<hr/>
Long term assets:		
Severance funds pay	861	856
Long-term deposits and long-term asset	600	194
Property and equipment, net	786	672
Investment in affiliates	596	861
Intangible assets and deferred finance cost, net	2,475	336
Goodwill	7,665	5,813
	<hr/>	<hr/>
Total long-term assets	12,983	8,732
	<hr/>	<hr/>
Total assets	36,234	24,642
	<hr/>	<hr/>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term bank loans	1,991	3,342
Convertible debenture	-	1,155
Trade payables	2,089	1,124
Deferred revenues	3,607	975
Accrued expenses and accounts payable	5,539	3,284
	<hr/>	<hr/>
Total current liabilities	13,226	9,880
	<hr/>	<hr/>
Long-term liabilities:		
Convertible debentures	9,928	3,464
Embedded derivative of Convertible debenture	1,671	-
Accrued severance pay	1,171	1,196
	<hr/>	<hr/>
Total long-term liabilities	12,770	4,660
	<hr/>	<hr/>
Total liabilities	25,996	14,540
	<hr/>	<hr/>
Shareholders' equity		
Share capital - Ordinary share of NIS 0.04 par value	98	98
Additional paid-in capital	31,025	31,137
Accumulated other comprehensive income	102	(692)
Accumulated deficit	(20,987)	(20,441)
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	December 31, 2007	December 31, 2008
Total shareholders' equity	10,238	10,102
Total liabilities and shareholders' equity	36,234	24,642

Top Image Systems Ltd.
Statements of Operations for the

	Three months ended	Three months ended	Year ended	Year ended
	December 31, 2007	December 31, 2008	December 31, 2007	December 31, 2008
In thousands US\$, except per share data				
Revenues				
Product sales	3,601	2,797	11,701	16,391
Service revenues	3,066	3,745	11,488	15,831
Total revenues	6,667	6,542	23,189	32,222
Cost of revenues				
Product costs	2,233	1,038	5,151	5,876
Service costs	2,567	2,189	8,019	9,199
Total cost of revenues	4,800	3,227	13,170	15,075
Gross profit	1,867	3,315	10,019	17,147
Expenses				
Research and development costs, net	528	502	2,393	1,762
Selling and marketing	3,022	2,530	9,231	9,292
General and administrative	2,404	1,486	5,655	5,956
Restructuring costs and other special charges	849	-	849	-
Impairment	-	1,839	-	1,839
	6,803	6,357	18,128	18,849
Operating profit (loss)	(4,936)	(3,042)	(8,109)	(1,702)

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	Three months ended	Three months ended	Year ended	Year ended
Financing income (expenses), net	2,240	5,063	1,957	3,136
Income (loss) before taxes on income	(2,696)	2,021	(6,152)	1,434
Taxes on Income	(183)	(36)	(228)	(74)
Other income	(9)	-	101	-
Discontinue Operation	(52)	(418)	(104)	(840)
Equity profit (loss) of invest in affiliates	84	(17)	35	84
Net income (loss) for the period	(2,856)	1,550	(6,348)	604
Earning per Share				
<i>Basic</i>				
Income (loss) from continuing operations	(0.315)	0.220	(0.703)	0.162
Income (loss) from discontinuing operations	(0.006)	(0.047)	(0.012)	(0.094)
Net Income (loss) per share - basic	(0.321)	0.174	(0.715)	0.068
Weighted average number of shares used in computation of basic net income (loss) per share	8,908,133	8,925,638	8,881,178	8,921,951
<i>Diluted</i>				
Income (loss) from continuing operations	(0.315)	0.170	(0.703)	0.162
Income (loss) from discontinuing operations	(0.006)	(0.036)	(0.012)	(0.094)
	(0.321)	0.134	(0.715)	0.068
Weighted average number of shares used in computation of diluted net income (loss) per share	8,908,133	11,567,986	8,881,178	8,936,458

A reconciliation of Non GAAP net income to GAAP net income is as follows (in thousands US\$):

	Three months ended	Three months ended	Year ended	Year ended
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Three months ended	Three months ended	Year ended	Year ended
December 31,	December 31,	December 31,	December 31,
2007	2008	2007	2008

In thousands US\$, except per share data

Net Income (loss) for the period	(2,856)	1,550	(6,348)	604
Employees ESOP related costs	585	22	883	90
Amortization of intangible assets related to acquisition	109	166	487	560
Impairment	-	1,839	-	1,839
Change In Fair Value of Convertible Debenture	-	(4,604)	-	(3,471)
Change In Fair Value of Long Term Assets	-	457	-	457
Non-GAAP Net Income (loss)	(2,162)	(570)	(4,978)	79