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TECHTEAM GLOBAL INC  
Form 10-Q  
August 06, 2004

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 quarterly period ended: June 30, 2004

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 0-16284

TECHTEAM GLOBAL, INC.

-----  
(Name of issuer in its charter)

DELAWARE 38-2774613  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

27335 W. 11 Mile Road, Southfield, MI 48034  
-----  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (248) 357-2866  
Registrant's Internet address: www.techteam.com

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 an accelerated filer. Yes   
No

The number of shares of the registrant's common stock outstanding at August 4,  
2004 was 8,605,202.

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TECHTEAM GLOBAL, INC.

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June 30, 2004 and 2003

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PART 1 -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(In thousands, except per share data)

THREE MONTHS ENDED JUNE 30, SIX

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	2004	2003	2002
REVENUE			
Corporate services			
Corporate help desk services.....	\$ 18,976	\$ 16,457	\$
Systems integration.....	9,384	2,144	
Technical staffing.....	1,957	2,412	
Training programs.....	171	243	
Total corporate services.....	30,488	21,256	
Leasing operations.....	197	660	
TOTAL REVENUE.....	30,685	21,916	
COST OF SERVICES DELIVERED			
Cost of corporate services.....	22,491	16,879	
Cost of leasing services.....	135	1,978	
TOTAL COST OF SERVICES DELIVERED.....	22,626	18,857	
GROSS PROFIT.....	8,059	3,059	
Selling, general, and administrative expense.....	6,249	5,272	
OPERATING INCOME (LOSS).....	1,810	(2,213)	
OTHER INCOME (EXPENSE)			
Interest income, net.....	123	278	
Foreign currency transaction gain (loss).....	(17)	311	
TOTAL OTHER INCOME.....	106	589	
INCOME (LOSS) BEFORE INCOME TAXES.....	1,916	(1,624)	
Income tax provision (credit).....	839	(200)	
NET INCOME (LOSS).....	\$ 1,077	\$ (1,424)	\$
BASIC EARNINGS (LOSS) PER SHARE.....	\$ 0.13	\$ (0.14)	\$
DILUTED EARNINGS (LOSS) PER SHARE.....	\$ 0.11	\$ (0.14)	\$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING			
Basic.....	8,550	10,492	
Net effect of dilutive stock options.....	153	--	
Effect of redeemable convertible preferred stock.....	690	--	
Diluted.....	9,393	10,492	

See accompanying notes.

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands)

ASSETS	JUNE 30, 2004
-----	
	(Unaudited)
CURRENT ASSETS	
Cash and cash equivalents.....	\$ 35,666
Accounts receivable -- corporate services (less allowances of \$708 at June 30, 2004 and \$637 at December 31, 2003).....	24,877
Accounts receivable -- leasing (less allowances of \$775 at June 30, 2004 and \$740 at December 31, 2003).....	167
Prepaid expenses and other.....	1,150
Deferred income taxes.....	562
	-----
TOTAL CURRENT ASSETS.....	62,422
PROPERTY, EQUIPMENT, AND PURCHASED SOFTWARE	
Computer equipment and office furniture.....	21,600
Purchased software.....	11,144
Leasehold improvements.....	4,534
Transportation equipment.....	337
	-----
	37,615
Less -- Accumulated depreciation and amortization.....	28,675
	-----
NET PROPERTY, EQUIPMENT, AND PURCHASED SOFTWARE.....	8,940
OTHER ASSETS	
Intangible assets, net.....	3,862
Goodwill.....	2,732
Deferred income taxes.....	862
Other.....	292
	-----
TOTAL OTHER ASSETS.....	7,748
	-----
TOTAL ASSETS.....	\$ 79,110
	=====

See accompanying notes.

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(In thousands, except share and per share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

JUNE 30,  
2004

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	(Unaudited)
CURRENT LIABILITIES	
Notes payable.....	\$ 172
Accounts payable.....	2,335
Accrued payroll, related taxes, and withholdings.....	5,794
Accrued expenses.....	1,812
Accrued income taxes.....	1,438
Deferred revenue.....	2,017
	-----
TOTAL CURRENT LIABILITIES.....	13,568
LONG-TERM LIABILITIES.....	344
REDEEMABLE CONVERTIBLE PREFERRED STOCK, 5,000,000 shares authorized, 689,656 shares issued and outstanding; liquidation preference of \$5,000 at June 30, 2004 and December 31, 2003.....	5,000
SHAREHOLDERS' EQUITY	
Common stock, par value \$0.01, 45,000,000 shares authorized, 8,591,534 and 8,817,265 shares issued and outstanding at June 30, 2004 and December 31, 2003, respectively.....	86
Additional paid-in capital.....	57,789
Retained earnings.....	1,768
Accumulated other comprehensive income -- cumulative foreign currency translation adjustment.....	555
	-----
TOTAL SHAREHOLDERS' EQUITY.....	60,198
	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 79,110
	=====

See accompanying notes.

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

(In thousands)

	SIX MONTHS EN
	-----
	2004
	-----
OPERATING ACTIVITIES	
Net income (loss).....	\$ 1,700
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization.....	2,118
Non-cash expense related to stock options and common stock issued to 401(k) plan and directors.....	176
Other.....	121
Changes in current assets and liabilities.....	1,288
Changes in long-term assets and liabilities.....	170

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Net cash provided by operating activities.....	5,573
<b>INVESTING ACTIVITIES</b>	
Purchase of property, equipment and software.....	(902)
Cash paid for acquisitions, net of cash acquired.....	(1,036)
Sale of marketable securities available for sale.....	--
Proceeds from disposal of property and equipment.....	--
Net cash used in investing activities.....	(1,938)
<b>FINANCING ACTIVITIES</b>	
Purchase of Company common stock.....	(2,744)
Payments on long-term borrowings.....	(949)
Proceeds from issuance of common stock.....	423
Proceeds from issuance of preferred stock.....	--
Net cash used in financing activities.....	(3,270)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....	106
INCREASE IN CASH AND CASH EQUIVALENTS.....	471
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	35,195
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 35,666

See accompanying notes.

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by TechTeam Global, Inc. ("TechTeam" or the "Company" or "We") in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included, and such adjustments are of a normal recurring nature. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Certain reclassifications have been made to the 2003 financial statements in order to conform to the 2004 financial statement presentation.

NOTE 2 -- EARNINGS PER SHARE

Earnings per share is computed using the weighted average number of common shares and common share equivalents outstanding. Common share equivalents

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consist of stock options and convertible preferred stock.

The weighted average number of diluted shares decreased to 9,483,892 shares for the six months ended June 30, 2004 from 10,065,916 shares for the year ended December 31, 2003 primarily due to Company common shares repurchased during the first quarter of 2004 and second half of 2003 under the Company's stock repurchase programs.

During the six months ended June 30, 2004 and 2003, 360,000 and 746,477 stock options, respectively, were excluded from the computation of diluted earnings per share because the options' exercise prices were higher than the average market price of the common shares during the respective period. During the six months ended June 30, 2003, an additional 632,804 stock options were excluded from the computation of diluted earnings per share due to the net loss for the period.

### NOTE 3 -- COMPREHENSIVE INCOME

Comprehensive income consists of net income (loss) and foreign currency translation adjustments. A summary of comprehensive income is as follows:

	THREE MONTHS ENDED JUNE 30,		SIX
	2004	2003	2
	-----		-----
	(In thousands)		
COMPREHENSIVE INCOME (LOSS)			
Net income (loss).....	\$ 1,077	\$ (1,424)	\$
Other comprehensive income (loss) --			
Foreign currency translation adjustment, net of tax...	9	174	
	-----	-----	-----
Comprehensive income (loss).....	\$ 1,086	\$ (1,250)	\$
	=====	=====	=====

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

### NOTE 4 -- INCOME TAXES

The consolidated effective tax rate in 2004 and 2003 differs from the statutory tax rate of 34% primarily due to providing a valuation allowance against the future tax benefit of operating loss carryforwards in certain tax jurisdictions.

### NOTE 5 -- STOCK-BASED COMPENSATION

We account for stock-based compensation awards granted to employees using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations. The effect on net income and earnings per share had compensation costs been recognized based on the fair value method prescribed by SFAS No. 123, Accounting for Stock-Based Compensation, is as follows:

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	THREE MONTHS ENDED JUNE 30,		SIX
	2004	2003	2
	(In thousands)		
Reported net income (loss).....	\$ 1,077	\$ (1,424)	\$
Add -- total stock-based compensation expense included in reported net income, net of tax.....	--	4	
Deduct -- total stock-based compensation expense determined under the fair value method for all awards, net of tax.....	(35)	(76)	
Pro forma net income (loss).....	\$ 1,042	\$ (1,496)	\$
Basic earnings (loss) per share:			
As reported.....	\$ 0.13	\$ (0.14)	\$
Pro forma.....	\$ 0.12	\$ (0.14)	\$
Diluted earnings (loss) per share:			
As reported.....	\$ 0.11	\$ (0.14)	\$
Pro forma.....	\$ 0.11	\$ (0.14)	\$

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 6 -- SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group is the Senior Management Committee, which is comprised of the President and the lead executives of each of our functional divisions. The operating segments are managed separately because each operating segment represents a strategic business unit that offers different services.

Our reportable operating segments include corporate help desk services, systems integration, technical staffing, and training programs (collectively referred to as corporate services) and leasing operations.

CORPORATE HELP DESK SERVICES -- this segment provides corporations and governments with around-the-clock (24x7x365) technical and customer support for their end-users and other constituencies. We support the full range of a client's information technology ("IT"), client service, and business process infrastructure. We also provide technical support to customers of our clients' products and software.

SYSTEMS INTEGRATION -- this segment provides IT infrastructure (personal computers, printers, phone systems, networks, servers, switches, etc.) support through systems integration, technology deployment, and implementation services from project planning and maintenance to full-scale network server and workstation installations. We offer a wide range of information technology services for the customer, ranging from technology consulting to desk-side support to network monitoring. We also provide full-service IT staff and consulting services to companies to help



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manage their IT infrastructure.

TECHNICAL STAFFING -- this segment maintains a staff of trained technical personnel, which we place at our clients' facilities to provide technical support services including help desk technicians, software developers, and network support.

TRAINING PROGRAMS -- this segment provides custom training and documentation solutions that include computer-based training, distance learning, course catalogs, registration, instructional design consultants, customized course materials, certified trainers, evaluation options, desk-side tutorials, and custom reports. We provide customized training programs for many of our customers' proprietary applications.

LEASING OPERATIONS -- this segment previously wrote leases for computer, telecommunications, and other types of capital equipment. Effective March 31, 2000, we ceased looking for new leasing opportunities and are currently running out our lease portfolio.

The accounting policies of the operating segments are the same as those described in Note 1 to the Company's consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2003. We evaluate segment performance based on segment gross profit.

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

NOTE 6 -- SEGMENT REPORTING (continued)

Financial information for our operating segments is as follows:

	THREE MONTHS ENDED JUNE 30,		SIX
	2004	2003	2
(In thousands)			
REVENUE			
Corporate services			
Corporate help desk services.....	\$ 18,976	\$ 16,457	\$
Systems integration.....	9,384	2,144	
Technical staffing.....	1,957	2,412	
Training programs.....	171	243	
Total corporate services.....	30,488	21,256	
Leasing operations.....	197	660	
Total revenue.....	\$ 30,685	\$ 21,916	\$
GROSS PROFIT (LOSS)			
Corporate services:			
Corporate help desk services.....	\$ 5,098	\$ 3,300	\$
Systems integration.....	2,391	521	
Technical staffing.....	451	516	
Training programs.....	56	41	

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Total corporate services.....	7,996	4,378	
Leasing operations.....	63	(1,319)	
Total gross profit.....	8,059	3,059	
Selling, general, and administrative expense.....	(6,249)	(5,272)	
Interest income, net.....	123	278	
Foreign currency transaction gain (loss).....	(17)	311	
Income (loss) before income taxes.....	\$ 1,916	\$ (1,624)	\$

We attribute revenue to different geographic areas on the basis of the location providing the services to the customer. Revenue by geographic area is presented below:

	THREE MONTHS ENDED JUNE 30,		SIX
	2004	2003	2
	(In thousands)		
REVENUE			
United States.....	\$ 21,265	\$ 15,446	\$
Europe:			
Belgium.....	5,832	4,027	
United Kingdom.....	1,475	1,310	
Other.....	2,113	1,133	
Total Europe.....	9,420	6,470	
Total revenue.....	\$ 30,685	\$ 21,916	\$

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TECHTEAM GLOBAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

NOTE 6 -- SEGMENT REPORTING (continued)

We provide corporate services for major companies on an international scale. Revenue from customers that comprise 10% or greater of our total revenue in any period presented are as follows:

	THREE MONTHS ENDED JUNE 30,		SI
	2004	2003	---
Ford Motor Company.....	40.1%	49.5%	
Department of Defense.....	10.8%	--	
Daimler Chrysler.....	9.2%	14.1%	

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Total.....	60.1%	63.6%
	====	====

### NOTE 7 -- CONTINGENCIES

#### DIGITAL SUPPORT CORPORATION:

TechTeam acquired 100% of the outstanding capital stock of Digital Support Corporation ("DSC") on December 31, 2003. DSC provides services to various departments within the Department of Defense ("DoD"). A Facility Security Clearance ("FSC") is required as a condition for DSC to perform its services for the DoD. As the acquiring entity, TechTeam also needs to obtain an FSC or negate any foreign ownership, control, or influence that could impair our ability to obtain an FSC. We have applied for an FSC, but as of the date of the filing of this document, we have not received a response from the DoD. It is reasonably possible that we will not be deemed eligible for an FSC due to the beneficial ownership of over 5% of our capital stock by ChrysCapital II, LLC, a Mauritius entity ("ChrysCapital"), and ChrysCapital's right to appoint a member of our Board of Directors. We have applied to the DoD for a Security Control Agreement ("SCA") between DSC and the DoD in order to negate the foreign interest. The SCA, if approved, would negate the impact of the foreign interest without affecting TechTeam's ability to integrate DSC into the TechTeam group of companies.

#### LEGAL PROCEEDINGS:

The Company is a party to various legal proceedings that are routine and incidental to its business. Although the consequences of these proceedings are not presently determinable, in the opinion of management, they will not have a material adverse affect on our liquidity, financial condition, or results of operations, although no assurances can be given in this regard.

### NOTE 8 -- ACQUISITIONS

#### ADVANCED NETWORK ENGINEERING:

On May 13, 2004, TechTeam Global NV/SA, the Company's wholly-owned subsidiary in Belgium, completed the acquisition of all of the outstanding stock of Advanced Network Engineering NV/SA (formerly Advanced Network Engineering CVBA) ("A.N.E.") for (euro)885,000 plus acquisition costs of (euro)143,000 for an initial purchase price of (euro)1.03 million (\$1.22 million at May 13, 2004). Of the initial purchase price, (euro)750,000 was paid at closing, (euro)178,000 will be paid in 2004, and (euro)100,000 will be paid on May 13, 2005, provided there are no claims asserted by us based upon the representations and warranties of the sellers in the Share Purchase Agreement. In addition to the initial purchase price, an additional (euro)150,000 is payable on May 13, 2007 provided a cumulative operating income target is met for the three-year period ending April 30, 2007. The additional consideration paid to selling shareholders will be recorded as additional goodwill when it is earned.

#### NOTE 8 -- ACQUISITIONS (continued)

A.N.E. is an information technology services and solutions company headquartered in Gent, Belgium, that provides software application, network, and systems

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integration services to various global, pan-European, and Belgian customers. The acquisition of A.N.E. will complement our subsidiary in Belgium, which primarily provides corporate help desk services. The acquisition was accounted for using the purchase method of accounting and, accordingly, the operating results of A.N.E. are included in the consolidated operating results of TechTeam since the acquisition date. Goodwill and other intangible assets acquired totaled (euro)810,000 (\$961,000 at May 13, 2004). Of this amount, other intangible assets totaled (euro)378,000 (\$449,000 at May 13, 2004) and consist of customer relationship assets, which are being amortized on a straight-line basis over their estimated useful life of six years. A.N.E. has been assigned to our systems integration operating segment. Subsequent to the acquisition, A.N.E.'s name has been changed to TechTeam A.N.E. NV/SA.

The following table summarizes the allocation of the initial purchase price at May 13, 2004:

	AMOUNT
	(In thousands)
Customer relationship assets.....	\$ 449
Goodwill.....	512
Property, equipment and software.....	72
Other current and non-current assets, net of cash acquired of \$128.....	1,367
Accounts payable and accrued liabilities assumed.....	(1,117)
Accrued purchase price.....	(261)
Notes payable assumed.....	(191)
	-----
Net cash used.....	\$ 831

The unaudited pro forma condensed consolidated results of operations for the three and six months ended June 30, 2004 and 2003 are presented below as though A.N.E. had been acquired on January 1, 2003.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED
	2004	2003	2004
	(In thousands)		
Revenue			
As reported.....	\$ 30,685	\$ 21,916	\$ 60,000
Pro forma.....	\$ 32,362	\$ 23,061	\$ 64,000
Net income (loss)			
As reported.....	\$ 1,077	\$ (1,424)	\$ 1,000
Pro forma.....	\$ 1,085	\$ (1,362)	\$ 1,000
Diluted earnings (loss) per share			
As reported.....	\$ 0.11	\$ (0.14)	\$ 0.00
Pro forma.....	\$ 0.12	\$ (0.13)	\$ 0.00

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### TECHTEAM GLOBAL, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 -- ACQUISITIONS (continued)

DIGITAL SUPPORT CORPORATION:

TechTeam acquired 100% of the outstanding capital stock of DSC on December 31, 2003. The unaudited pro forma condensed consolidated results of operations for the three and six months ended June 30, 2003 are presented below as though DSC had been acquired on January 1, 2003.

	THREE MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2003
-----		
(In thousands)		
Revenue		
As reported.....	\$ 21,916	\$ 43,679
Pro forma.....	\$ 26,646	\$ 52,774
Net loss		
As reported.....	\$ (1,424)	\$ (1,365)
Pro forma.....	\$ (1,324)	\$ (1,096)
Diluted loss per share		
As reported.....	\$ (0.14)	\$ (0.13)
Pro forma.....	\$ (0.13)	\$ (0.10)

The unaudited pro forma condensed consolidated results of operations for the three and six months ended June 30, 2003 are presented below as though both DSC and A.N.E. had been acquired on January 1, 2003.

	THREE MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2003
-----		
(In thousands)		
Revenue		
As reported.....	\$ 21,916	\$ 43,679
Pro forma.....	\$ 27,791	\$ 54,903
Net loss		
As reported.....	\$ (1,424)	\$ (1,365)
Pro forma.....	\$ (1,262)	\$ (1,094)
Diluted loss per share		
As reported.....	\$ (0.14)	\$ (0.13)
Pro forma.....	\$ (0.12)	\$ (0.10)

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### NOTE 9 -- GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill consist of the following:

	CORPORATE HELP DESK SERVICES	SYSTEMS INTEGRATION	TOT
	(In thousands)		
Balance as of January 1, 2004.....	\$ 371	\$ 1,728	\$
Goodwill acquired from A.N.E. and DSC.....	--	624	
Foreign currency translation adjustment.....	--	9	
Balance as of June 30, 2004.....	\$ 371	\$ 2,361	\$

Other intangible assets consist of the following:

	JUNE 30, 2004		DECEMBER 31, 2003	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMU AMORTIZ
	(In thousands)			
Customer relationships -- DSC.....	\$ 3,367	\$ 169	\$ 3,367	\$
Customer relationships -- Cyntergy.....	701	479	701	
Customer relationships -- A.N.E.....	457	15	--	
	\$ 4,525	\$ 663	\$ 4,068	\$

We re-evaluate definite-lived intangible assets based on undiscounted operating cash flows whenever significant events or changes occur that might indicate impairment of recorded costs. If undiscounted cash flows are insufficient to recover recorded costs, we write down the carrying value of the assets to fair value based on discounted cash flows or market values. We did not record an impairment loss for definite-lived intangible assets in any period presented.

Our expected amortization expense for definite-lived intangible assets is as follows: \$246,000 for the remainder of 2004, \$499,000 for 2005, \$499,000 for 2006, \$411,000 for 2007, and \$411,000 for 2008.

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause the results of TechTeam Global, Inc. and its consolidated subsidiaries ("TechTeam") to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are

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statements that could be deemed forward-looking statements, including any projections of revenue, gross margin, expenses, earnings or losses from operations, synergies, or other financial items; any statements of the plans, strategies, and objectives of management for future operations; any statement concerning developments or performance relating to our services; any statements regarding future economic conditions or performance; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. The risks, uncertainties and assumptions referred to above include the performance of contracts by suppliers, customers, and partners; employee management issues; the difficulty of aligning expense levels with revenue changes; complexities of global political and economic developments; and other risks that are described herein, including but not limited to the items discussed in "Factors that Could Affect Future Results" set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of this report, and that are otherwise described from time to time in TechTeam's Securities and Exchange Commission reports filed after this report. TechTeam assumes no obligation and does not intend to update these forward-looking statements.

### ITEM 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### OVERVIEW

As an information technology ("IT") and business process outsourcing support services provider, we provide our customers with assistance in designing, implementing, managing, and maintaining their IT infrastructure and computer systems through our provision of corporate help desk services, systems integration services, technical staffing, and training programs. Thus far in 2004, we have significantly grown our systems integration operating segment primarily through acquisitions, and the profitability of the segment has improved. We also realized growth and improved profitability in our corporate help desk services operating segment, and we successfully established call center operations in Romania.

As part of our long-term strategic plan, we are committed to further expanding our footprint in the IT systems integration and professional services sector. We believe the further development of infrastructure support services is an important aspect of our sales strategy. In May 2004, we purchased Advanced Network Engineering NV/SA ("A.N.E."), an information technology services and solutions company in Belgium that provides software application, network infrastructure, and systems integration services to various global, pan-European, and Belgian customers. In December 2003, we purchased Digital Support Corporation ("DSC"), an information technology services and solutions company that provides network infrastructure, information assurance, enterprise application, systems integration, and hardware services and solutions to various governmental and commercial customers. Together A.N.E. and DSC contributed revenue and gross profit of \$13.5 million and \$2.92 million, respectively, to our systems integration operating segment for the six months ended June 30, 2004, which resulted in an increase in systems integration revenue of 328.4% to \$18.3 million and increase in gross profit of 289.6% to \$4.20 million, over the comparable period in 2003. Excluding A.N.E. and DSC, systems integration revenue increased 13.7% to \$4.87 million for the six months ended June 30, 2004, and gross profit increased 18.5% to \$1.28 million over the comparable period in 2003.

Our 2004 results to date also reflect the realization of certain operating efficiencies and cost savings from initiatives implemented in 2003 and 2004, additional business from new and existing customers, and efforts to control costs throughout the Company. These efficiencies and cost savings primarily relate to our corporate help desk services operating segment and include, but are not limited to, re-aligning our headcount with the level of business being

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generated from our customers, reducing operational office space in the U.S. and Belgium, and reduced depreciation and amortization expense as certain assets have become fully depreciated and amortized. Total revenue from our

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corporate help desk services increased 17.1% to \$38.0 million for the six months ended June 30, 2004, from \$32.5 million for the comparable period in 2003. Gross profit from corporate help desk services increased 45.6% to \$10.0 million for the six months ended June 30, 2004, from \$6.90 million for the comparable period in 2003. Gross margin (gross profit as a percentage of revenue) from corporate help desk services increased to 26.4% for the six months ended June 30, 2004, from 21.2% for the comparable period in 2003. The increase in revenue and gross profit was primarily due to increased business with new and existing customers in Europe and realization of the aforementioned operational efficiencies and cost savings. Our international revenue from corporate help desk services was also positively affected by the strengthening of European currencies relative to the U.S. dollar. If revenue in Europe for the six months ended June 30, 2004 were translated into U.S. dollars at the average exchange rates for the comparable period in 2003, reported revenue would have been reduced by approximately \$1.80 million for the six months ended June 30, 2004. Since most of the Company's international operating expenses are also incurred in foreign currencies, the net impact of exchange rate fluctuations on gross profit and operating income is considerably less than the estimated impact on revenue.

Under our contract with Ford Motor Company ("Ford") for its global help desk, we provide corporate help desk services on a fixed-price-per-seat basis. Our current contract with Ford will require us to reduce the price of our services on a per-seat basis prospectively beginning in August 2004. The contract also provides for an adjustment to the number of seats that we are compensated for supporting at Ford, adjusted up or down and applied prospectively beginning in August 2004. The combination of these two events is expected to result in a decrease in revenue of up to \$2 million over the twelve months ending July 31, 2005. The combination of a reduced price per seat and reduced number of seats being supported will reduce our gross profit as we will not be able to completely offset the reduction in revenue with a reduction in costs. While we cannot currently estimate the impact on our gross profit and gross margin, we expect to offset a portion of the reduction in gross profit through additional business from Ford and our management of costs. We estimate that the impact on our overall gross margin will not be significant; however, we can give no assurances in this regard.

Last, we successfully established call center operations in Bucharest, Romania and began providing support services in the French, English, Spanish, Italian, and German languages in April 2004. Our net loss in Romania totaled \$730,000 for the six months ended June 30, 2004, which is consistent with our expectations at current operating levels. Our profitability in Romania will improve as we increase the volume of work performed for new customers and begin to realize operational efficiencies from offering a blended solution with our operations in Belgium.

### RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2004 COMPARED TO JUNE 30, 2003

THREE MONTHS ENDED JUNE 30,		INCREASE (DECREASE)
2004	2003	



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(In thousands)

REVENUE

Corporate services:

Corporate help desk services.....	\$	18,976	\$	16,457	\$	2,
Systems integration.....		9,384		2,144		7,
Technical staffing.....		1,957		2,412		(
Training programs.....		171		243		
		-----		-----		-----
Total corporate services.....		30,488		21,256		9,
Leasing operations.....		197		660		(
		-----		-----		-----
Total revenue.....	\$	30,685	\$	21,916	\$	8,
		=====		=====		=====

Revenue from corporate help desk services increased 15.3% to \$19.0 million for the three months ended June 30, 2004, from \$16.5 million for the comparable period in 2003, primarily due to additional business from new and existing customers in Europe and the strengthening of the euro, British pound sterling, and Swedish kroner relative to the U.S. dollar. Revenue from systems integration services increased 337.7% to \$9.38 million for the three

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months ended June 30, 2004, from \$2.14 million for the comparable period in 2003, due to our acquisition of DSC and A.N.E. and additional business from existing customers. Excluding revenue contributed by DSC and A.N.E., systems integration revenue increased 28.3% to \$2.75 million for the three months ended June 30, 2004, from the comparable period in 2003. Revenue from technical staffing services decreased 18.9% to \$1.96 million for the three months ended June 30, 2004, from \$2.41 million for the comparable period in 2003, primarily due to price concessions granted to Ford during the second half of 2003 and staffing reductions, which were only partially offset by additional business received from Ford in Europe.

Revenue from leasing operations decreased 70.2% to \$197,000 for the three months ended June 30, 2004, from \$660,000 for the comparable period in 2003. The decline in leasing operations revenue was the result of our decision in March 2000 to discontinue actively seeking new leasing business and to commence the wind down of our lease portfolio. The trend of reduced revenue from our leasing operations will continue over the next year depending on the size and duration of renewals.

Revenue generated in the United States increased 37.7% to \$21.3 million for the three months ended June 30, 2004, from \$15.4 million for the comparable period in 2003, primarily due to our acquisition of DSC. Excluding revenue contributed by DSC and our leasing operations, revenue generated in the United States increased 2.1% to \$15.1 million for the three months ended June 30, 2004, from the comparable period in 2003, primarily due additional business from new and existing customers, partially offset by price concessions granted to existing customers in the second half of 2003 and reduced volumes from established and stable help desks.

Revenue generated in Europe increased 45.6% to \$9.42 million for the three months ended June 30, 2004, from \$6.47 million for the comparable period in 2003, primarily due to growth in business at our Belgian and Swedish subsidiaries, our acquisition of A.N.E., and the strengthening of European currencies relative to the U.S. dollar. Excluding revenue contributed by A.N.E., revenue generated in Europe increased 35.4% to \$8.76 million for the three months ended June 30, 2004, from the comparable period in 2003. If revenue in

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Europe for the three months ended June 30, 2004 were translated at the average exchange rate for the comparable period in 2003, reported revenue would have been reduced by approximately \$573,000 for the three months ended June 30, 2004. Revenue from our Belgian operation increased 44.8% to \$5.83 million for the three months ended June 30, 2004, from \$4.03 million for the comparable period in 2003, primarily due to additional business from new and existing customers, the strengthening of the euro relative to the U.S. dollar, and our acquisition of A.N.E. Excluding revenue contributed by A.N.E., revenue generated in Belgium increased 28.5% to \$5.17 million for the three months ended June 30, 2004, from the comparable period in 2003. If revenue in Belgium for the three months ended June 30, 2004 were translated at the average exchange rate for the comparable period in 2003, reported revenue would have been reduced by approximately \$293,000 for the three months ended June 30, 2004.

	THREE MONTHS ENDED JUNE 30,		INCREASE (DECREASE)
	2004	2003	
	(In thousands)		
GROSS PROFIT (LOSS)			
Corporate services:			
Corporate help desk services.....	\$ 5,098	\$ 3,300	\$ 1,798
Systems integration.....	2,391	521	1,870
Technical staffing.....	451	516	(65)
Training programs.....	56	41	15
Total corporate services.....	7,996	4,378	3,618
Leasing operations.....	63	(1,319)	1,382
Total gross profit.....	\$ 8,059	\$ 3,059	\$ 5,000

Gross profit from corporate help desk services increased 54.5% to \$5.10 million for the three months ended June 30, 2004, from \$3.30 million for the comparable period in 2003. Gross margin from corporate help desk services increased to 26.9% for the three months ended June 30, 2004, from 20.1% for the comparable period in 2003. The increase in gross profit dollars and gross margin was primarily due to realization of the aforementioned operational efficiencies from re-aligning our cost structure and expanding our help desk capabilities in Belgium,

and increased business with new and existing customers. Gross profit from systems integration services increased 358.9% to \$2.39 million for the three months ended June 30, 2004, from \$521,000 for the comparable period in 2003. Gross margin from systems integration services increased to 25.5% for the three months ended June 30, 2004, from 24.3% for the comparable period in 2003. The increase in gross profit dollars was primarily due to our acquisitions of DSC and A.N.E. Excluding the gross profit contributed by DSC and A.N.E., gross profit increased 39.3% to \$726,000 and gross margin increased to 26.4% for the three months ended June 30, 2004, from the comparable period in 2003. Gross profit and gross margin from DSC and A.N.E. were \$1.66 million and 25.1%, respectively, for the three months ended June 30, 2004. Gross profit from technical staffing decreased 12.6% to \$451,000 for the three months ended June 30, 2004, from \$516,000 for the comparable period in 2003, which is consistent with the decrease in technical staffing revenue.

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Gross profit from leasing operations increased to \$63,000 for the three months ended June 30, 2004, from a gross loss of \$(1.32) million for the comparable period in 2003, primarily due to charges of \$1.32 million for the write-down of off-lease equipment inventories and assets under lease in 2003. During 2003, we determined that we would not be able to obtain the value previously expected from the sale of off-lease equipment inventories due to a significant decline in the fair market value of the equipment in the secondary market.

	THREE MONTHS ENDED JUNE 30,		INCREAS (DECREAS
	2004	2003	
	(In thousands)		
<b>OPERATING EXPENSES AND OTHER</b>			
Selling, general, and administrative expense.....	\$ 6,249	\$ 5,272	\$
Net interest income.....	\$ 123	\$ 278	\$
Foreign currency transaction gain (loss).....	\$ (17)	\$ 311	\$
Income tax provision.....	\$ 839	\$ (200)	\$ 1,

Selling, general, and administrative expense increased 18.5% to \$6.25 million, or 20.4% of total revenue, for the three months ended June 30, 2004, from \$5.27 million, or 24.1% of total revenue, for the comparable period in 2003, primarily due to our acquisition of DSC and A.N.E. and expense related to the Company's incentive compensation plans. Excluding revenue and expenses contributed by DSC and A.N.E., selling, general, and administrative expense increased \$34,000 to \$5.31 million, or 22.1% of total revenue, for the three months ended June 30, 2004. Excluding DSC and A.N.E., expenses have increased to support revenue growth and expansion in Romania, but expenses as a percentage of revenue have decreased due to efforts to control costs in all areas of the Company. Under the Company's incentive compensation plans which were effective January 1, 2004, certain members of management are entitled to bonuses if specific revenue and operating income targets are met for 2004. Under these plans, we accrued \$212,000 of expense for the three months ended June 30, 2004, of which \$142,000 was accrued to selling, general, and administrative expense and \$70,000 was accrued to cost of services delivered.

Net interest income decreased to \$123,000 for the three months ended June 30, 2004, from \$278,000 for the comparable period in 2003, due to higher average cash balances maintained in 2003.

Foreign currency transaction gain (loss) decreased to a loss of \$(17,000) for the three months ended June 30, 2004, from a gain of \$311,000 for the comparable period in 2003, primarily due to the U.S. dollar strengthening since December 31, 2003 relative to the euro and British pound sterling whereas the U.S. dollar weakened relative to the euro and pound sterling in the three months ended June 30, 2003.

The consolidated effective tax rate in 2004 and 2003 differs from the statutory tax rate of 34% primarily due to providing a valuation allowance against the future tax benefit of operating loss carryforwards in certain tax jurisdictions.

### RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO JUNE 30, 2003

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	SIX MONTHS ENDED JUNE 30,		INCREASE (DECREASE)
	2004	2003	
	(In thousands)		
<b>REVENUE</b>			
Corporate services:			
Corporate help desk services.....	\$ 38,015	\$ 32,466	\$ 5,
Systems integration.....	18,345	4,282	14,
Technical staffing.....	3,986	4,778	(
Training programs.....	307	461	(
Total corporate services.....	60,653	41,987	18,
Leasing operations.....	302	1,692	(1,
Total revenue.....	\$ 60,955	\$ 43,679	\$ 17,

Revenue from corporate help desk services increased 17.1% to \$38.0 million for the six months ended June 30, 2004, from \$32.5 million for the comparable period in 2003, primarily due to additional business from new and existing customers in Europe and the strengthening of the euro, British pound sterling, and Swedish kroner relative to the U.S. dollar. Revenue from systems integration services increased 328.4% to \$18.3 million for the six months ended June 31, 2004, from \$4.28 million for the comparable period in 2003, due to our acquisitions of DSC and A.N.E. and additional business from existing customers in the second quarter. Excluding revenue contributed by DSC and A.N.E., systems integration revenue increased 13.7% to \$4.87 million for the six months ended June 30, 2004, from the comparable period in 2003. Revenue from technical staffing services decreased 16.6% to \$3.99 million for the six months ended June 30, 2004, from \$4.78 million for the comparable period in 2003, primarily due to price concessions granted to Ford during the second half of 2003 and staffing reductions, which were only partially offset by additional business received from Ford in Europe.

Revenue from leasing operations decreased 82.2% to \$302,000 for the six months ended June 30, 2004, from \$1.69 million for the comparable period in 2003. The decline in leasing operations revenue was the result of our decision in March 2000 to discontinue actively seeking new leasing business and to commence the wind down of our lease portfolio. The trend of reduced revenue from our leasing operations will continue over the next year depending on the size and duration of renewals.

Revenue generated in the United States increased 35.6% to \$42.8 million for the six months ended June 30, 2004, from \$31.5 million for the comparable period in 2003, due to our acquisition of DSC. Excluding revenue contributed by DSC and our leasing operations, revenue generated in the United States decreased 0.6% to \$29.7 million for the six months ended June 30, 2004, from \$29.9 million for the comparable period in 2003.

Revenue generated in Europe increased 49.7% to \$18.2 million for the six months ended June 30, 2004, from \$12.1 million for the comparable period in 2003, primarily due to growth in business at our Belgian and Swedish subsidiaries, our acquisition of A.N.E., and the strengthening of European currencies relative to the U.S. dollar. Excluding revenue contributed by A.N.E., revenue generated in Europe increased 44.3% to \$17.5 million for the six months ended June 30, 2004,

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from the comparable period in 2003. If revenue in Europe for the six months ended June 30, 2004 were translated at the average exchange rate for the comparable period in 2003, reported revenue would have been reduced by approximately \$1.80 million for the six months ended June 30, 2004. Revenue from our Belgian operation increased 48.4% to \$11.0 million for the six months ended June 30, 2004, from \$7.39 million for the comparable period in 2003, primarily due to additional business from new and existing customers, our acquisition of A.N.E., and the strengthening of the euro relative to the U.S. dollar. Excluding revenue contributed by A.N.E., revenue generated in Belgium increased 39.5% to \$10.3 million for the six months ended June 30, 2004, from the comparable period in 2003. If revenue in Belgium for the six months ended June 30, 2004 were translated at the average exchange rate for the comparable period in 2003, reported revenue would have been reduced by approximately \$1.03 million for the six months ended June 30, 2004.

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	SIX MONTHS ENDED JUNE 30,		INCREASE (DECREASE)
	2004	2003	
	(In thousands)		
GROSS PROFIT (LOSS)			
Corporate services:			
Corporate help desk services.....	\$ 10,041	\$ 6,895	\$ 3,146
Systems integration.....	4,200	1,078	3,122
Technical staffing.....	841	1,015	(174)
Training programs.....	71	80	(9)
Total corporate services.....	15,153	9,068	6,085
Leasing operations.....	58	(1,350)	1,408
Total gross profit.....	\$ 15,211	\$ 7,718	\$ 7,493

Gross profit from corporate help desk services increased 45.6% to \$10.0 million for the six months ended June 30, 2004, from \$6.90 million for the comparable period in 2003. Gross margin from corporate help desk services increased to 26.4% for the six months ended June 30, 2004, from 21.2% for the comparable period in 2003. The increase in gross profit dollars and gross margin was primarily due to realization of the aforementioned operational efficiencies and cost savings from re-aligning our cost structure and expanding our help desk capabilities in Belgium, and increased business with new and existing customers. Gross profit from systems integration services increased 289.6% to \$4.20 million for the six months ended June 30, 2004, from \$1.08 million for the comparable period in 2003. Gross margin from systems integration services decreased to 22.9% for the six months ended June 30, 2004, from 25.2% for the comparable period in 2003. The increase in gross profit dollars and decrease in gross margin was primarily due to our acquisitions of DSC and A.N.E. Excluding the gross profit contributed by DSC and A.N.E., gross profit increased 18.5% to \$1.28 million and gross margin increased to 26.2% for the six months ended June 30, 2004, from the comparable period in 2003. Gross profit and gross margin from DSC and A.N.E. were \$2.92 million and 21.7%, respectively, for the six months ended June 30, 2004. Gross profit from technical staffing decreased 17.1% to \$841,000 for the six months ended June 30, 2004, from \$1.02 million for the comparable period in 2003, which is consistent with the decrease in technical staffing revenue.

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Gross profit from leasing operations increased to \$58,000 for the six months ended June 30, 2004, from a gross loss of \$(1.35) million for the comparable period in 2003, primarily due to charges of \$1.32 million for the write-down of off-lease equipment inventories and assets under lease in 2003. During 2003, we determined that we would not be able to obtain the value previously expected from the sale of off-lease equipment inventories due to a significant decline in the fair market value of the equipment in the secondary market.

	SIX MONTHS ENDED JUNE 30,		INCREAS (DECREAS
	2004	2003	
	(In thousands)		
<b>OPERATING EXPENSES AND OTHER</b>			
Selling, general, and administrative expense.....	\$ 12,212	\$ 9,927	\$ 2,
Net interest income.....	\$ 289	\$ 487	\$ (
Foreign currency transaction gain (loss).....	\$ (217)	\$ 363	\$ (
Income tax provision.....	\$ 1,371	\$ 6	\$ 1,

Selling, general, and administrative expense increased 23.0% to \$12.2 million, or 20.0% of total revenue, for the six months ended June 30, 2004, from \$9.93 million, or 22.7% of total revenue, for the comparable period in 2003, primarily due to our acquisition of DSC and A.N.E. and expense related to the Company's incentive compensation plans. Excluding revenue and expenses contributed by DSC and A.N.E., selling, general, and administrative expense increased 4.5% to \$10.4 million, or 21.9% of total revenue, for the six months ended June 30, 2004. Excluding DSC and A.N.E., expenses have increased to support revenue growth and expansion in Romania, but expenses as a percentage of revenue have decreased due to efforts to control costs in all areas of the Company.

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Under the Company's incentive compensation plans which were effective January 1, 2004, certain members of management are entitled to bonuses if specific revenue and operating income targets are met for 2004. Under these plans, we accrued \$337,000 of expense for the six months ended June 30, 2004, of which \$252,000 was accrued to selling, general, and administrative expense and \$85,000 was accrued to cost of services delivered.

Net interest income decreased to \$289,000 for the six months ended June 30, 2004, from \$487,000 for the comparable period in 2003, due to higher average cash balances maintained in 2003.

Foreign currency transaction gain (loss) decreased to a loss of \$(217,000) for the six months ended June 30, 2004, from a gain of \$363,000 for the comparable period in 2003, primarily due to the U.S. dollar strengthening since December 31, 2003 relative to the euro, British pound sterling, and Swedish kroner whereas the U.S. dollar weakened relative to the euro, pound sterling, and Swedish kroner in the six months ended June 30, 2003.

The consolidated effective tax rate in 2004 and 2003 differs from the statutory tax rate of 34% primarily due to providing a valuation allowance against the future tax benefit of operating loss carryforwards in certain tax jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

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Cash and cash equivalents were \$35.7 million at June 30, 2004, as compared to \$35.2 million at December 31, 2003. During the six months ended June 30, 2004, cash and cash equivalents increased \$471,000 primarily due to \$5.57 million in cash provided by operations and \$423,000 in proceeds from the exercise of stock options offset by \$2.74 million in cash used to repurchase 350,000 shares of our common stock under our stock repurchase program, \$831,000 in cash used to acquire A.N.E., \$205,000 in cash used to pay expenses related to our acquisition of DSC, \$902,000 in cash used for capital expenditures, and \$949,000 in payments on long-term debt primarily related to notes payable acquired in our acquisitions of DSC and A.N.E.

A significant source of operating cash flow of \$5.57 million for the six months ended June 30, 2004 was generated by net income of \$1.70 million and non-cash charges for depreciation and amortization of \$2.12 million. An additional source of operating cash flow resulted from increased working capital as current liabilities less notes payable increased \$1.58 million whereas current assets only increased \$288,000.

In February 2004, we announced a new stock repurchase program to repurchase up to 1,000,000 shares of the Company's common stock. Under this program, we purchased 350,000 shares of our common stock from a director of the Company and his immediate family for \$7.84 per share, inclusive of sales commission expense, during the first quarter of 2004. There were no stock repurchases in the second quarter of 2004.

Long-term cash requirements, other than for normal operating expenses, are anticipated for the continued expansion in Europe, enhancements of existing technologies, possible repurchases of our common stock, additional consideration that is payable to the selling shareholders of DSC and A.N.E. if specific performance conditions and operating targets are met in 2004-2007, and the possible acquisition of businesses complementary to the Company's existing business. We believe that positive cash flows from operations, together with existing cash balances, will continue to be sufficient to meet our ongoing requirements for working capital, capital expenditures, and possible stock repurchases for the next twelve months and foreseeable future. We have historically not paid dividends.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no changes in the selection and application of critical accounting policies and estimates disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2003.

### FACTORS INFLUENCING FUTURE RESULTS

Refer to Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2003.

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### ITEM 4 -- CONTROLS AND PROCEDURES

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

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During the first quarter of 2004, the Company converted its accounting and financial reporting system in Europe, with the exception of Romania, to a pre-existing common information technology platform that had been deployed in the United States in prior periods. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2003. As of June 30, 2004, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer of the effectiveness of the design and operations of the Company's disclosure controls and procedures. Based upon that evaluation, the Company's management, including the CEO, CFO, and CAO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2004.

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### PART II -- OTHER INFORMATION

#### ITEM 1 -- LEGAL PROCEEDINGS

The Company is a party to various legal proceedings that are routine and incidental to its business. Although the consequences of these proceedings are not presently determinable, in the opinion of management, they will not have a material adverse affect on our liquidity, financial condition, or results of operations, although no assurances can be given in this regard.

#### ITEM 2 -- CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company purchased shares of its common stock during the six months ended June 30, 2004 as follows:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PROGRAMS
January 1, 2004 to January 31, 2004	--	--	--
February 1, 2004 to February 29, 2004	350,000 (a)	\$7.84	350,000 (a)
March 1, 2004 to March 31, 2004	--	--	--
April 1, 2004 to April 30, 2004	--	--	--
May 1, 2004 to May 31, 2004	--	--	--
June 1, 2004 to June 30, 2004	--	--	--

(a) A stock repurchase program to repurchase up to 1,000,000 shares of the Company's common stock was announced on February 18, 2004. The program expires on January 27, 2005.

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#### ITEM 4 -- SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on May 12, 2004. The holders



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of 7,392,619 shares of the Company's common stock and 689,656 shares of the Company's Series A senior convertible preferred stock were present in person or by proxy, representing attendance by at least 87.7% of the outstanding shares eligible to vote. The following is a summary of the matters voted on at that meeting.

- (a) The following persons were elected to the Company's Board of Directors. The number of shares cast favor and withheld were as follows:

Name	For	Withheld
Kim A. Cooper	7,492,141	1,452,355
William F. Coyro, Jr.	7,857,696	1,087,146
G. Ted Derwa	7,866,034	1,077,446
Peter T. Kross	7,694,085	1,202,859
Conrad L. Mallett, Jr.	7,660,857	1,236,087
Wallace D. Riley	6,760,202	2,130,170
Gregory C. Smith	7,836,080	1,108,814
Richard G. Somerlott	7,928,600	912,079
Ronald T. Wong	7,850,563	1,089,686

- (b) Ratification of Ernst & Young as independent auditors:

For	Against
8,813,030	131,580

- (c) Approval of TechTeam Global, Inc. 2004 Incentive Stock and Awards Plan:

For	Against
2,985,780	2,220,874

### ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

#### (a) Exhibits

- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.3 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.3 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

#### (b) Reports on Form 8-K

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- (i) Announcement of the Company's earnings for the first quarter of 2004, filed on April 29, 2004.
- (ii) Announcement of the re-election of Kim A. Cooper as Chairman of the Board on May 12, 2004, and the acquisition of Advanced Network Engineering NV/SA on May 13, 2004, filed on May 14, 2004.
- (iii) Announcement of a presentation to financial analysts posted to the Company's website, filed on June 1, 2004.

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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.

TechTeam Global, Inc.  
(Registrant)

/s/ William F. Coyro, Jr.  
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Date: August 6, 2004

By: William F. Coyro, Jr.  
President and Chief Executive Officer

/s/ David W. Morgan  
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Date: August 6, 2004

By: David W. Morgan  
Vice President, Chief Financial Officer,  
and Treasurer

/s/ Marc J. Lichtman  
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Date: August 6, 2004

By: Marc J. Lichtman  
Vice President and Chief Accounting  
Officer

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### EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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32.3 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002