

GSE SYSTEMS INC  
Form 10-Q  
November 14, 2012

UNITED STATES  
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 September 30, 2012.

or

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: 001-14785

GSE SYSTEMS, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State of incorporation)

52-1868008  
(I.R.S. Employer Identification No.)

1332 Londontown Blvd., Suite 200, Sykesville, MD 21784  
(Address of principal executive office and zip code)

Registrant's telephone number, including area code: (410) 970-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Accelerated filer  Non-accelerated filer

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Large accelerated  
filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in rule 12(b)-2 of the Exchange Act). Yes  No

There were 18,348,336 shares of common stock, with a par value of \$.01 per share outstanding as of November 12, 2012.

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GSE SYSTEMS, INC.

QUARTERLY REPORT ON FORM 10-Q

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

GSE SYSTEMS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	Unaudited September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,304	\$ 20,326
Restricted cash	3,761	3,505
Contract receivables, net	19,441	20,356
Prepaid expenses and other current assets	3,314	3,733
Total current assets	47,820	47,920
Equipment and leasehold improvements	6,683	5,206
Accumulated depreciation	(4,604 )	(4,105 )
Equipment and leasehold improvements, net	2,079	1,101
Software development costs, net	2,193	1,815
Goodwill	4,502	4,462
Intangible assets, net	990	1,207
Long-term restricted cash	1,177	897
Other assets	1,987	1,413
Total assets	\$ 60,748	\$ 58,815

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 4,886	\$ 4,077
Accrued expenses	1,779	1,581
Accrued compensation and payroll taxes	2,350	2,754
Billings in excess of revenue earned	4,954	5,261
Accrued warranty	2,157	2,300
Other current liabilities	2,302	1,707
Total current liabilities	18,428	17,680
Other liabilities	1,213	2,352
Total liabilities	19,641	20,032
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred stock \$.01 par value, 2,000,000 shares authorized, shares issued and outstanding none in 2012 and 2011	-	-
Common stock \$.01 par value, 30,000,000 shares authorized, shares issued 19,421,892 in 2012 and 19,254,681 in 2011	194	193

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Additional paid-in capital	71,117		70,167	
Accumulated deficit	(27,559	)	(29,063	)
Accumulated other comprehensive loss	(574	)	(865	)
Treasury stock at cost, 1,047,461 shares in 2012, 824,374 in 2011	(2,071	)	(1,649	)
Total stockholders' equity	41,107		38,783	
Total liabilities and stockholders' equity	\$ 60,748		\$ 58,815	

The accompanying notes are an integral part of these consolidated financial statements.

GSE SYSTEMS, INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share data)  
 (Unaudited)

	Three Months ended September 30,		Nine Months ended September 30,	
	2012	2011	2012	2011
Contract revenue	\$ 13,009	\$ 12,549	\$ 39,581	\$ 36,128
Cost of revenue	7,960	7,931	26,143	24,278
Gross profit	5,049	4,618	13,438	11,850
Operating expenses:				
Selling, general and administrative	3,483	3,302	10,663	