



'mktg, inc.' Becomes Current in SEC Filings and Reports \$0.07 and \$0.01 Earnings Per Share for the Second and Third Quarters of Fiscal 2009, and Losses for Restated Periods

NEW YORK, May 11, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- 'mktg, inc.' (Nasdaq: CMKG) announced today that it has become current in its reporting obligations with the SEC by filing an amended Annual Report on Form 10-K for its fiscal year ended March 31, 2008, an amended Quarterly Report on Form 10-Q for its first fiscal quarter ended June 30, 2008, and past due Quarterly Reports on Form 10-Q for its second and third fiscal quarters ended September 30, 2008 and December 31, 2008. The Company had previously announced that its financial statements for the year ended March 31, 2008 and quarter ended June 30, 2008 as originally issued should no longer be relied upon. A description and reconciliation of non-GAAP financial measures to GAAP financial measures is contained in a later section of this press release.

Restated Results -- Fiscal 2008 and the First Quarter of Fiscal 2009

The restatement for fiscal 2008 reduced the Company's income before taxes from \$2,934,000 as originally reported to a loss before taxes of approximately \$142,000. After tax net income for fiscal 2008 was reduced by approximately \$6,380,000 (\$.92 per share) to a loss of approximately \$4,893,000 (\$.71 per share). The restated loss for the year included a non-cash charge of approximately \$4,535,000 as a result of a valuation allowance established by the Company at March 31, 2008 against its deferred tax asset. The restatement had no effect on the Company's cash or net cash provided from operations. Sales and Operating Revenue for fiscal 2008 were reduced from the initially reported results of \$85.5 million and \$34.9 million respectively, to \$80.8 million and \$31.7 million.

The restatement for the first quarter of fiscal 2009 reduced net income as originally reported by approximately \$1,310,000 (\$.19 per share) to a loss of approximately \$835,000 (\$.12 per share). No benefit was recorded for income taxes for the quarter due to the valuation allowance against the Company's deferred tax asset. The restatement had no effect on the Company's cash or net cash provided from operations. Sales and Operating Revenue for the first quarter of fiscal 2009 were reduced from the initially reported \$22.3 million and \$9.3 million respectively, to \$22.2 million and \$7.8 million.

Operating Results - Second and Third Quarters of Fiscal 2009

For the three months ended September 30, 2008, the Company reported sales of \$26.6 million, compared to sales of \$14.5 million for the three months ended September 30, 2007, an increase of \$12.1 million. Operating Revenue for the quarter increased 31% to \$9.8 million compared to \$7.5 million for the same quarter in the prior fiscal year. Net income and fully diluted earnings per share for the quarter amounted to \$530,000 and \$0.07 per diluted share, respectively, compared to \$180,000 and \$0.03 per diluted share for the second quarter of fiscal 2008. No expense for income taxes was recorded for the second quarter of fiscal 2009 due to the valuation allowance against the Company's deferred tax asset.

For the three months ended December 31, 2008, the Company reported sales of \$25.7 million, compared to sales of \$23.7 million for the three months ended December 31, 2007, an increase of \$2.0 million. Operating Revenue for the quarter increased 4% to \$9.4 million compared to \$9.0 million for the same quarter in the prior fiscal year. Net income and earnings per share for the quarter amounted to \$64,000 and \$0.01 per diluted share, respectively, compared to \$506,000 and \$0.07 per diluted share for the third quarter of fiscal 2008. No expense for income taxes was recorded for the third quarter of fiscal 2009 due to the valuation allowance against the Company's deferred tax asset.

Credit Facility

As a result of the Company's operating results, the Company breached the financial covenants under its credit agreement with Sovereign Bank. The Company recently entered into a letter agreement with Sovereign Bank under which Sovereign Bank agreed to waive the Company's past defaults. However, in connection with such waiver, Sovereign has indefinitely suspended the Company's revolving credit facility and required the Company to maintain deposits with Sovereign Bank in an amount equal to its outstanding term loan (\$1,993,750 at March 31, 2009) in a restricted account as cash-collateral. The Credit Agreement with Sovereign Bank is also being amended to suspend the Company's obligation to comply with the financial covenants during the period in which the revolving credit facility is suspended and the term loan is fully cash-collateralized. At March 31, 2009, the Company had cash on hand, excluding restricted cash of approximately \$1.6 million.

Comments on the Restatement

Describing the events surrounding the restatement, Jim Haughton, Chief Accounting Officer, commented:

"As we were closing the books for the second quarter ending September 30, 2008, we discovered a discrepancy between our Work-in-Process subledger accounts and the General Ledger accounts. As we investigated, it became apparent that there were significant errors that put in question the accuracy of our financial statements. We informed our auditors and the SEC, issued a press release stating that our financial statements could not be relied upon, and began an investigation of the extent and cause of the errors. In the course of the investigation, we determined that no single error accounted for the discrepancy. Rather, a series of errors over a five-quarter period required that we review all material projects for the periods in question. Given the level of detail required to identify and correct the errors, the process has taken an extended amount of time and effort. We have kept our auditors informed of the process and conclusions throughout the investigation to ensure objectivity and compliance."

Commenting on the nature of the errors, Mr. Haughton added "The errors began in the first quarter of fiscal 2008 as a result of a series of circumstances that included a change in accounting systems; the departure of our Chief Financial Officer in April 2007 without a permanent replacement until October 2007; and unusually large turnover in our accounting staff. These factors contributed to Company personnel inadvertently making a number of clerical and accounting errors in compiling our financial statements, primarily in connection with the calculation and recognition of revenue and properly expensing general and administrative expenses in the periods in which they were incurred.

"These errors also demonstrated the Company's failure to maintain effective internal controls during the periods in which the errors occurred. We have begun implementing remedial measures to improve and strengthen our internal control over financial reporting and avoid future misstatements of our financial statements. To date, the remedial measures we have implemented include restructuring our accounting and finance departments so that reporting and oversight responsibilities are clearly defined; shifting the responsibility and maintenance of our revenue recognition worksheets from our customer management teams to the accounting department; adding additional processes designed to ensure that revenue and related costs are effectively accounted for; increasing the level of supervision over our accounting and finance personnel; modifying our accounting software so that it can be more effectively utilized; and changing our employee expense reimbursement procedures."

Charlie Horsey, President of 'mktg, inc.' commented: "The strategic priorities for the Company have been consistent for some time and are in line with my view of the opportunities we face. In order of priority they are: 1) continuously build and extend our capabilities and services in the events, experiential and promotion services to secure world class clients and recurring revenue; 2) build and manage client and operating processes and systems that are efficient and flawlessly executed; 3) extend our core capabilities and networking capabilities to additional clients; and 4) expand our service offerings through the effective use of analytic tools and database management. With the acquisition of mktgpartners and the successful integration of its team and clients, we have properly rebalanced our priorities and strengthened our core business of events and experiential and promotional services. While our accounting systems have proven weak in the past, the quality and value of our work for clients has remained consistently strong.

The digital, data and analytic priority is critical to our client service and growth. However, as a short-term consequence of the restatement and general economic conditions, we have scaled back our investment in those areas. Along with the recently announced management changes, this will result in cost reductions of approximately \$2.3 million annually with no measurable impact on near term revenue."

Charlie Horsey continued: "It is no surprise that the weak economy is having an effect on the marketing spending of our clients. However, we have retained all of our significant clients during this recession and see no significant interruption going forward. Our fourth quarter is generally our weakest quarter, as clients finalize market spending for a new year or cut back marketing activity. As a consequence, and in factoring in the costs of the restatement and severance from our personnel reductions, our fourth quarter ending March 31, 2009 will be unprofitable. While our crystal ball is not crystal clear, we believe that current and new client business will deliver modest to flat revenue growth in our current fiscal year ending March 31, 2010. With reduced costs and improved operating controls, our first quarter of fiscal 2010 should be profitable, as well as the remainder of the fiscal year."

Operating Revenues

'mktg, inc.' believes Operating Revenue is a key performance indicator. The Company defines Operating Revenue as sales less reimbursable program costs and expenses, and outside production and other program expenses. Operating Revenue is the net amount derived from sales to customers that management believes is available to fund compensation, general and administrative expenses, and capital expenditures. Operating Revenue is a Non-GAAP financial measure disclosed by management to provide additional information to investors in order to provide them with an alternative method for assessing the Company's financial condition and operating results. This measure is not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with Non-GAAP financial measures used by other companies. A reconciliation of Operating Revenues to Sales is provided at the end of this press release.

About 'mktg'

'mktg' (Nasdaq: CMKG) is an alternative media and marketing services company headquartered in New York with full service offices in San Francisco, Chicago, Cincinnati and Toronto. The company currently serves a variety of the world's most recognizable brands, including Diageo, P&G, Nintendo, Pepsi, Nike, Apple, Coty, Scotttrade, SAP and Google/YouTube. The company's services include experiential marketing, digital marketing, retail promotions and strategic research and planning. The firm's programs help its clients profitably connect with consumers and create networks of brand advocates to generate brand awareness and higher sales for its customers. For more information, please visit www.mktg.com.

This press release includes statements which constitute forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this press release are not promises or guarantees and are subject to risks and uncertainties that could cause our actual results to differ materially from those anticipated. These statements are based on management's current expectations and assumptions and are naturally subject to uncertainty and changes in circumstances. We caution you not to place undue reliance upon any such forward-looking statements. Actual results may vary materially from those expressed or implied by the statements herein. Factors that could cause actual results to differ materially from the Company's expectations are set forth in the Company's Annual Report on Form 10-K/A for the fiscal year ended March 31, 2008 and include the risk that projected business opportunities will fail to materialize or will be delayed. The Form 10-K/A may be obtained by accessing the database maintained by the Securities and Exchange Commission at <http://www.sec.gov>.

'mktg, inc.'

Consolidated Statements of Operations

For The Year Ended March 31, 2008, and Three Months Ended June 30, September 30, and December 31, 2008

	FY 2008 (Restated)	6/30/08 (Restated)	9/30/08	12/31/08
Sales	\$80,833,857	\$22,238,133	\$26,612,826	\$25,720,210
Operating revenue	\$31,650,262	\$7,766,262	\$9,764,025	\$9,353,305
Operating (loss) income	\$(229,316)	\$(844,794)	\$563,963	\$423,522
(Loss) income before provision for income taxes	(142,076)	(835,268)	529,782	63,588
Provision for income taxes	4,751,319	-	-	-
Net (loss) income	\$(4,893,395)	\$(835,268)	\$529,782	\$63,588
(Loss) earnings per share:				
Basic	\$(.71)	\$(.12)	\$.08	\$.01
Diluted	\$(.71)	\$(.12)	\$.07	\$.01
Weighted average number of common shares outstanding:				
Basic	6,935,806	6,993,046	7,041,749	7,116,416
Diluted	6,935,806	6,993,046	7,302,607	7,245,649

'mktg, inc.'

Consolidated Balance Sheets

March 31, 2008, June 30, 2008, September 30, 2008 and December 31, 2008

	March 31, 2008 (Restated)	June 30, 2008 (Restated)	September 30, 2008	December 31, 2008
Total assets	\$32,733,444	\$31,553,175	\$33,203,803	\$29,033,954
Total liabilities	\$27,125,242	\$26,650,137	\$27,605,027	\$23,200,801

Total stockholder's equity \$5,608,202 \$4,903,038 \$5,598,776 \$5,833,153

'mktg, inc.'
Operating Revenue Schedule
For The Year Ended March 31, 2008, and Three Months Ended June 30,
September 30, and December 31, 2008

	FY 2008 (Restated)	6/30/08 (Restated)	9/30/08	12/31/08
Sales	\$80,833,857	\$22,238,133	\$26,612,826	\$25,720,210
Reimbursable program costs and expenses	17,040,426	4,708,509	4,446,266	4,657,160
Outside production and other program expenses	32,143,169	9,763,362	12,402,535	11,709,745
Operating revenue	\$31,650,262	\$7,766,262	\$9,764,025	\$9,353,305

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