

EPIQ SYSTEMS INC

FORM 8-K

(Current report filing)

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Address	501 KANSAS AVENUE KANSAS CITY, KS 66105-1309
Telephone	9136219500
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Symbol	EPIQ
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Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

July 28, 2009 (July 28, 2009)

Date of Report (Date of earliest event reported)

EPIQ Systems, Inc.

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction
of incorporation)

000-22081
(Commission
File Number)

48-1056429
(IRS Employer
Identification No.)

501 Kansas Avenue, Kansas City, Kansas 66105
(Address of principal executive offices)

(913) 621-9500
(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On July 28, 2009, Epiq Systems, Inc. issued a press release announcing its financial results for the three and six months ended June 30, 2009. A copy of the press release is attached as Exhibit 99.1 to this report and is incorporated herein by reference.

The attached press release includes three non-GAAP financial measures that management uses and that the company believes may be useful to investors:

- Non-GAAP net income, calculated as net income adjusted for amortization of acquisition intangibles, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, acquisition expense, the effect of tax adjustments which are outside of the company's anticipated effective tax rate, and capitalized loan fee amortization, all net of tax;
- Non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis; and
- Non-GAAP adjusted EBITDA, calculated as net income adjusted for interest/financing, taxes, depreciation, amortization, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, and acquisition expense.

Reconciliations of each of these non-GAAP measures are included in schedules to the press release filed with this report. The press release also includes certain reconciliations of non-GAAP financial measures for the company's business segments.

These non-GAAP financial measures are intended to supplement the accounting principles generally accepted in the United States of America (GAAP) financial information included in the press release by providing management and investors with additional insight regarding results of

operations.

Management uses non-GAAP net income (i) in its strategic planning for the company and (ii) in evaluating the results of operations of the company. Management believes the non-GAAP net income measure provides management with additional perspective when evaluating the results of operations and may be similarly useful to investors when evaluating financial results of the company for comparable periods for the following reasons:

- Certain of the adjusted items can fluctuate significantly from period-to-period due in part to the timing of completion of acquisitions or divestitures, the timing of refinancings (whether or not related to acquisitions) and similar events. Management believes the adjustments to net income may be useful to investors in comparing the results of operations of the company without the effect of those items;
- Certain of the adjusted items represent non-cash credits or charges to net income, which investors may find useful in excluding from operating results to evaluate comparable periods; and
- Mark-to-market adjustments represent non-cash credits or charges related to its convertible debt embedded option and interest rate floor options, adjusted to reflect realized cash gains.

Management also uses non-GAAP earnings per share, which is calculated as non-GAAP net income on a fully diluted per share basis. Management uses non-GAAP earnings per share for the same reasons that it uses non-GAAP net income and believes that non-GAAP earnings per share may be useful to investors for the same purposes as non-GAAP net income. The compensation committee has used non-GAAP earnings per share in evaluating the performance of management and in determining executive bonuses.

Management also uses non-GAAP adjusted EBITDA as a non-GAAP performance measure. Management regularly reviews non-GAAP adjusted EBITDA as it assesses its current and prospective operating results, and for assessing anticipated operating results for acquired businesses. Management uses non-GAAP adjusted EBITDA (i) in its strategic planning for the company and its business segments and (ii) in evaluating the results of operations of the company. The compensation committee has used non-GAAP adjusted EBITDA in evaluating the performance of management and in determining executive bonuses. Management believes non-GAAP adjusted EBITDA is useful to management and may be useful to investors in evaluating the results of operations when comparing financial results for comparable periods for the following reasons:

- Certain of the adjusted items can fluctuate significantly from period-to-period due in part to the timing of completion of acquisitions or divestitures, the timing of refinancings (whether or not related to acquisitions) and similar events. Management believes the adjustments to non-GAAP adjusted EBITDA may be useful to investors in comparing the results of operations of the company without the effect of those items; and
- Certain of the adjusted items represent non-cash credits or charges to net income, which investors may find useful in excluding from operating results to evaluate comparable periods; and
- Mark-to-market adjustments represent non-cash credits or charges related to its convertible debt embedded option and interest rate floor options, adjusted to reflect realized cash gains.

Management recognizes that its use of non-GAAP net income, non-GAAP earnings per share and non-GAAP adjusted EBITDA has various limitations, including the fact that the adjusted items may be a normally recurring expense or may involve the actual use of cash. Nonetheless, management believes that these non-GAAP financial measures provide additional insight for investors into the operating results and business trends of the company. Reconciliations of these non-GAAP financial measures are included in schedules to the press release filed with this report.

The information in Item 2.02 of this report and in the exhibit attached hereto is not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 or 12(a)(2) of the Securities Act of 1933, as amended. The information contained in this Item 2.02 and in the accompanying exhibit is not incorporated by reference into any filing with the SEC made by the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is filed as part of this report:

<u>Exhibit No.</u>	<u>Description</u>
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99.1	Epiq Systems, Inc. Press Release issued July 28, 2009, reporting quarter ended June 30, 2009 financial results.
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EPIQ Systems, Inc.

Date: July 28, 2009

By: /s/ TOM W. OLOFSON

Name: Tom W. Olofson

Title: Chairman of the Board and Chief Executive Officer

Epiq Systems, Inc. Announces Second Quarter 2009 Results Led by 93% Operating Revenue Growth in the Bankruptcy Segment

KANSAS CITY, Kan., July 28, 2009 (GLOBE NEWSWIRE) -- Epiq Systems, Inc. (Nasdaq:EPIQ) today announced results of operations for the second quarter of 2009 with operating revenue (total revenue before operating revenue from reimbursed direct costs) of \$57.1 million compared to \$56.9 million for the same period last year. June 30, 2009 year-to-date operating revenue was \$109.8 million, up 9% compared to \$100.8 million for the prior year.

Net income for the second quarter of 2009 was \$2.9 million, \$0.08 per share, compared to \$3.2 million, \$0.08 per share, for the year ago quarter. June 30, 2009 year-to-date net income was \$6.2 million, \$0.16 per share, compared to \$5.8 million, \$0.15 per share, for the prior year.

Second quarter 2009 net cash provided by operating activities was \$18.5 million, up 153% compared to \$7.3 million for the year ago quarter. June 30, 2009 year-to-date net cash provided by operations was \$21.0 million, up 39% compared to \$15.1 million for the prior year. A condensed consolidated cash flow statement is attached.

Epiq Systems' management also evaluates the following non-GAAP financial measures: (i) non-GAAP net income (net income adjusted for amortization of acquisition intangibles, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, acquisition expense, the effect of tax adjustments which are outside of the company's anticipated effective tax rate, and capitalized loan fee amortization, all net of tax), (ii) non-GAAP earnings per share, calculated as non-GAAP net income on a fully diluted per share basis, and (iii) non-GAAP adjusted EBITDA (net income adjusted for interest/financing, taxes, depreciation, amortization, share-based compensation, realized cash gains on financial instruments, non-cash mark-to-market adjustments, and acquisition expense). Reconciliation statements for non-GAAP financial measures are provided below.

Non-GAAP net income for the second quarter of 2009 was \$6.8 million, \$0.17 per share, up 15% compared to \$5.9 million, \$0.15 per share, for the year ago quarter. June 30, 2009 year-to-date non-GAAP net income was \$13.1 million, \$0.33 per share, up 16% compared to \$11.3 million, \$0.29 per share, for the prior year.

Second quarter 2009 non-GAAP adjusted EBITDA was \$15.5 million, up 9% compared to \$14.3 million for the year ago quarter. June 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$31.0 million, up 13% compared to \$27.5 million for the prior year.

Operating revenue for the Bankruptcy segment for the second quarter of 2009 was \$24.1 million, up 93% compared to \$12.5 million for the year ago quarter. June 30, 2009 year-to-date operating revenue was \$41.4 million, up 60% compared to \$25.9 million in the prior year. Non-GAAP adjusted EBITDA was \$12.5 million for the second quarter of 2009, up 104% compared to \$6.1 million for the year ago quarter. June 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$20.9 million, up 24% compared to \$16.9 million in the prior year, which included a \$3.5 million cash gain on interest rate floor options. Excluding the prior year one-time cash gain on interest rate floor options, year-to-date 2009 non-GAAP adjusted EBITDA increased 56% compared to the prior year. The strong financial results for the segment relate to an increase in Chapter 11 filings and retentions, which have generated a 142% increase in Chapter 11 corporate restructuring operating revenue compared to the prior year.

Operating revenue for the Electronic Discovery segment for the second quarter of 2009 was \$14.3 million compared to \$14.0 million in the first quarter of 2009 and \$16.3 million for the year ago quarter. June 30, 2009 year-to-date operating revenue was \$28.4 million compared to \$29.5 million in the prior year. Second quarter 2009 non-GAAP adjusted EBITDA was \$4.4 million compared to \$8.1 million for the year ago quarter. June 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$9.3 million compared to \$14.5 million in the prior year. The quarter and year-to-date segment results include the effects of organic investment of new service offerings, geographic expansion into new markets and the impacts of the current economic conditions and pricing pressures in the industry.

Operating revenue for the Settlement Administration segment for the second quarter of 2009 was \$18.7 million compared to \$28.2 million in the year ago quarter. June 30, 2009 year-to-date operating revenue was \$40.0 million compared to \$45.5 million in the prior year. Non-GAAP adjusted EBITDA was \$5.2 million for the second quarter of 2009 compared to \$6.1 million for the year ago quarter. June 30, 2009 year-to-date non-GAAP adjusted EBITDA was \$12.0 million, compared to \$6.8 million in the prior year. The segment continued to benefit in the first half of 2009 from a major contract that was launched in the fourth quarter of 2007.

Tom W. Olofson, chairman and CEO, and Christopher E. Olofson, president and COO of Epiq Systems, stated, "We are pleased to report strong aggregate results for the quarter, highlighted by unparalleled performance in the bankruptcy segment. The second quarter set an all-time record for bankruptcy revenue led by the significant growth of our Chapter 11 corporate restructuring business. New corporate restructuring engagements for the first half of the year increased materially compared to the prior year and we are actively working on matters with virtually every major bankruptcy law firm. The long-term, multi-year nature of these new complex bankruptcy assignments provides the company with a back log of inventory to draw from in future periods which provides for increased future financial visibility. We also have visibility to a strong pipeline of future corporate restructuring retention opportunities that have not yet filed. The Chapter 7 trustee services component of the bankruptcy segment continues to reflect a consistent increase in aggregate deposit balances, which are up 19% year-to-date versus the prior year."

Recent key events include:

- * Chapter 11 corporate restructuring bankruptcy retentions were up 88% during the first six months of 2009 compared to the same period last year, including clients such as Chrysler LLC, Thornburg Mortgage, Inc., Crabtree & Evelyn, Ltd., Filene's Basement, Inc., CCS Medical, Inc. and Energy Partners Limited.
- * New release of the company's leading internet-based case management system TCMSWeb(r) 4.1, providing Chapter 7 Bankruptcy Trustees with new features to enhance reporting, productivity and efficiency in the daily management of their caseloads.
- * As reported by the Administrative Office of the U.S. Courts, bankruptcy filings totaled 1,202,503 for the 12 month period ended March 31, 2009, up 33% versus the same period in 2008. During this period, Chapter 7 filings were up 46%, Chapter 11 filings were up 69%, and Chapter 13 filings were up 11%.
- * The Federal Reserve reported that corporate debt increased compared to the prior year, reaching \$7.2 trillion as of March 31, 2009, while consumer credit dropped slightly to just under \$2.6 trillion for the same period.

Conference Call

The company will host a conference call today at 3:30 p.m. central time to discuss these results. The internet broadcast of the call can be accessed at www.epiqsystems.com. To listen by phone, please call (800) 967-7141 before 3:30 p.m. central time. An archive of the internet broadcast will be available on the company's website until the next earnings update. A recording of the call will also be available through August 28, 2009 beginning approximately two hours after the call ends. To access the recording, please call (888) 203-1112 and enter passcode 1579484.

Company Description

Epiq Systems is a leading global provider of integrated technology solutions for the legal profession. Our solutions streamline the administration of bankruptcy, litigation, financial transactions and regulatory compliance matters. We offer innovative technology solutions for electronic discovery, document review, legal notification, claims administration and controlled disbursement of funds. Our clients include leading law firms, corporate legal departments, bankruptcy trustees and other professional advisors who require innovative technology, responsive service and deep subject-matter expertise.

The Epiq Systems, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=5250>

Forward-looking and Cautionary Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act, including those relating to the possible or assumed future results of our operations and financial condition. These forward-looking statements are based on our current expectations and may be identified by terms such as "believe," "expect," "anticipate," "should," "planned," "may," "estimated," "goal," "objective" and "potential." Because forward-looking statements involve future risks and uncertainties, listed below are a variety of factors that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These factors include (1) any material changes in our total number of client engagements and the volume associated with each engagement, (2) any material changes in our client's deposit portfolio or the services required or selected by our clients in engagements, (3) material changes in the number of bankruptcy filings, class action filings or mass tort actions each year, (4) risks associated with handling of confidential data and compliance with information privacy laws, (5) changes in or the effects of pricing structures and arrangements, (6) risks associated with the integration of acquisitions into our existing business operations, (7) risks associated with our indebtedness, (8) risks associated with foreign currency fluctuations, (9) risks associated with developing and providing software and internet-based technology solutions to our clients, and (10) other risks detailed from time to time in our SEC filings, including our annual report on Form 10-K. In addition, there may be other factors not included in our SEC filings that may cause actual results to differ materially from any forward-looking statements. We undertake no obligations to update publicly or revise any forward-looking statements contained herein to reflect future events or developments.

(Tables follow)

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
REVENUE:				
Case management services	\$ 35,812	\$ 35,928	\$ 70,346	\$ 64,724
Case management bundled products and services	3,476	4,463	6,803	9,754
Document management services	17,851	16,546	32,603	26,360
Operating revenue before reimbursed direct costs	57,139	56,937	109,752	100,838
Operating revenue from reimbursed direct costs	9,051	7,905	17,266	13,014
Total Revenue	66,190	64,842	127,018	113,852
OPERATING EXPENSES:				
Direct cost of services (exclusive of depreciation and amortization shown separately below)	19,723	24,438	39,393	43,264
Direct cost of bundled products and services (exclusive of depreciation and amortization shown separately below)	855	908	1,710	1,855
Reimbursed direct costs	9,035	7,880	17,082	13,002
General and administrative	23,844	18,221	42,151	33,300
Depreciation and software and leasehold amortization	4,552	3,853	9,066	7,563
Amortization of identifiable intangible assets	1,818	2,325	3,754	4,603
Other operating expense (income)	13	859	484	(1,512)
Total Operating Expenses	59,840	58,484	113,640	102,075
INCOME FROM OPERATIONS	6,350	6,358	13,378	11,777
INTEREST EXPENSE (INCOME):				
Interest expense	365	441	738	932

Interest income	(16)	(36)	(51)	(180)
	-----	-----	-----	-----
Net Interest Expense	349	405	687	752
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	6,001	5,953	12,691	11,025
PROVISION FOR INCOME TAXES	3,115	2,799	6,527	5,214
	-----	-----	-----	-----
NET INCOME	\$ 2,886	\$ 3,154	\$ 6,164	\$ 5,811
	=====	=====	=====	=====
NET INCOME PER SHARE INFORMATION:				
Net income per share - Diluted	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.15
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	41,854	41,634	41,895	41,510

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, 2009	Dec. 31, 2008
	-----	-----
	(Unaudited)	
ASSETS		
ASSETS:		
Cash and cash equivalents	\$ 28,215	\$ 19,006
Trade accounts receivable, net	54,445	48,540
Property and equipment, net	39,419	39,951
Goodwill	264,405	263,871
Other intangibles, net	23,200	26,851
Other	21,916	20,727
	-----	-----
TOTAL ASSETS	\$431,600	\$418,946
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable	\$ 14,378	\$ 12,781
Indebtedness	57,281	61,222
Other liabilities	45,887	44,448
STOCKHOLDERS' EQUITY	314,054	300,495
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$431,600	\$418,946
	=====	=====

EPIQ SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 2,886	\$ 3,154	\$ 6,164	\$ 5,811
Non-cash adjustments to net income:				
Depreciation and amortization	6,370	6,178	12,820	12,166
Other, net	3,392	252	4,994	1,477
Changes in operating assets and liabilities, net	5,842	(2,269)	(2,988)	(4,321)
Net cash provided by operating activities	18,490	7,315	20,990	15,133
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash paid for business combinations, net	--	(4,712)	--	(4,712)
Property and equipment, software and other	(3,342)	(4,110)	(10,293)	(11,441)
Net cash used in investing activities	(3,342)	(8,822)	(10,293)	(16,153)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net payments on indebtedness	(2,409)	(2,016)	(3,319)	(2,622)
Other	1,201	968	1,865	1,456
Net cash used in financing activities	(1,208)	(1,048)	(1,454)	(1,166)
Effect of exchange rate changes on cash	(23)	--	(34)	--
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 13,917	\$ (2,555)	\$ 9,209	\$ (2,186)

EPIQ SYSTEMS, INC.
RECONCILIATION OF NET INCOME TO
NON-GAAP ADJUSTED EBITDA
(In thousands)
(Unaudited)

Three months ended Six months ended
June 30, June 30,

	2009	2008	2009	2008
NET INCOME	\$ 2,886	\$ 3,154	\$ 6,164	\$ 5,811
Plus:				
Depreciation and amortization	6,370	6,178	12,820	12,166
Share-based compensation	2,784	872	4,256	1,396
Acquisition expense	18	859	507	859
Expenses related to financing, net	349	405	687	752
Realized gain on interest rate floors	--	--	--	1,273
Provision for income taxes	3,115	2,799	6,527	5,214
	12,636	11,113	24,797	21,660
NON-GAAP ADJUSTED EBITDA	\$15,522	\$14,267	\$30,961	\$27,471

EPIQ SYSTEMS, INC.
BANKRUPTCY SEGMENT
RECONCILIATION OF SEGMENT PERFORMANCE MEASURE TO
NON-GAAP ADJUSTED EBITDA
(In thousands)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
SEGMENT PERFORMANCE MEASURE	\$12,501	\$ 6,141	\$20,922	\$13,439
Realized gain on interest rate floors	--	--	--	3,465
NON-GAAP ADJUSTED EBITDA	\$12,501	\$ 6,141	\$20,922	\$16,904

EPIQ SYSTEMS, INC.
RECONCILIATION OF NET INCOME TO
NON-GAAP NET INCOME
(In thousands)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
NET INCOME	\$ 2,886	\$ 3,154	\$ 6,164	\$ 5,811
Plus (net of tax):				
Amortization of acquisition intangibles	1,100	1,407	2,271	2,785
Share-based compensation	2,246	546	3,300	891

Acquisition expense	10	520	306	520
Effective tax rate	715	418	1,451	804
Loan fee amortization	52	80	104	160
Mark-to-market adjustments	(243)	(244)	(487)	(487)
Realized gain on interest rate floors	--	--	--	770
	-----	-----	-----	-----
	3,880	2,727	6,945	5,443
	-----	-----	-----	-----
NON-GAAP NET INCOME	\$ 6,766	\$ 5,881	\$ 13,109	\$ 11,254
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
RECONCILIATION OF EPS TO
NON-GAAP EPS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	----- 2009	----- 2008	----- 2009	----- 2008
EPS (on a diluted basis)	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.15
Plus (net of tax):				
Amortization of acquisition intangibles	0.03	0.04	0.05	0.08
Share-based compensation	0.05	0.02	0.08	0.02
Acquisition expense	--	0.01	0.01	0.01
Effective tax rate	0.02	0.01	0.04	0.02
Loan fee amortization	--	--	--	--
Mark-to-market adjustments	(0.01)	(0.01)	(0.01)	(0.01)
Realized gain on interest rate floors	--	--	--	0.02
	-----	-----	-----	-----
	0.09	0.07	0.17	0.14
	-----	-----	-----	-----
NON-GAAP EPS (on a diluted basis)	\$ 0.17	\$ 0.15	\$ 0.33	\$ 0.29
	=====	=====	=====	=====

EPIQ SYSTEMS, INC.
EPS CALCULATION
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	----- 2009	----- 2008	----- 2009	----- 2008
NET INCOME	\$ 2,886	\$ 3,154	\$ 6,164	\$ 5,811
Interest expense adjustment for convertible debt	301	301	599	603
Net income re-allocated to nonvested shares	(23)	--	(33)	--
	-----	-----	-----	-----
NET INCOME ADJUSTED FOR DILUTED CALCULATION	\$ 3,164	\$ 3,455	\$ 6,730	\$ 6,414
	=====	=====	=====	=====

NON-GAAP NET INCOME	\$ 6,766	\$ 5,881	\$ 13,109	\$ 11,254
Interest expense				
adjustment for				
convertible debt	301	301	599	603
Net income re-allocated				
to nonvested shares	(23)	--	(33)	--
	-----	-----	-----	-----
NON- GAAP NET INCOME				
ADJUSTED FOR DILUTED				
CALCULATION	\$ 7,044	\$ 6,182	\$ 13,675	\$ 11,857
	=====	=====	=====	=====
BASIC WEIGHTED AVERAGE				
SHARES	35,776	35,424	35,731	35,357
Adjustment to reflect				
share-based awards	1,792	1,924	1,878	1,867
Adjustment to reflect				
convertible debt				
shares	4,286	4,286	4,286	4,286
	-----	-----	-----	-----
DILUTED WEIGHTED AVERAGE				
SHARES	41,854	41,634	41,895	41,510
	=====	=====	=====	=====
NET INCOME PER SHARE				
- DILUTED	\$ 0.08	\$ 0.08	\$ 0.16	\$ 0.15
	=====	=====	=====	=====
NON-GAAP NET INCOME PER				
SHARE - DILUTED	\$ 0.17	\$ 0.15	\$ 0.33	\$ 0.29
	=====	=====	=====	=====

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