TECHTEAM GLOBAL INC
Form 10-Q
August 08, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2002

[ ] 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 incorporation or organization)	(I.R.S. Employer Identification No.)

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

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.

|X| Yes |_| No

The number of shares of the registrant's only class of common stock outstanding at July 31, 2002 was 10,981,564.

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ACTUAL RESULTS COULD DIFFER FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS DESCRIBED IN THE ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2001 PREVIOUSLY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

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TECHTEAM GLOBAL, INC.

FORM 10-Q

INDEX

PART 1 -- FINANCIAL INFORMATION

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

ITEM 1 -- FINANCIAL STATEMENTS

	THREE MONTHS ENDED JUNE 30,		SIX M
	2002	2001	
	(In thousands, except per		
REVENUES			
Corporate Services			
Corporate help desk services	$ 14,309	$ 12,477	$
Technical staffing	2,594	3,645	
Systems integration	2,211	1,441	
Training programs	307	603	
Total Corporate Services	19,421	18,166	
Leasing Operations	2,481	5,355	
TOTAL REVENUES	21,902	23,521	
COST OF SERVICES DELIVERED	16,732	18,024	
GROSS PROFIT	5,170	5,497	
OTHER EXPENSES			
Selling, general, and administrative	4,434	5,810	
Michigan Single Business Tax	225	210	
TOTAL OTHER EXPENSE	4,659	6,020	
Operating income (loss)	511	(523)	
Interest income	269	298	
Interest expense	(14)	(184)	
Loss on disposal of assets	--	(254)	
NET OTHER INCOME (EXPENSE)	255	(140)	
Income (loss) before income taxes	766	(663)	
Income tax expense	348	250	
Income before cumulative effect of accounting change	418	(913)	
Cumulative effect of accounting change -- Note E	--	--	
NET INCOME (LOSS)	$ 418	$ (913)	$
BASIC EARNINGS (LOSS) PER SHARE			
Income (loss) before cumulative effect of accounting			

change..	$ 0.04	$ (0.09)	$
Cumulative effect of accounting change	--	--	
Total basic earnings (loss) per share	$ 0.04	$ (0.09)	$
DILUTED EARNINGS (LOSS) PER SHARE			
Income (loss) before cumulative effect of accounting change..	$ 0.04	$ (0.09)	$
Cumulative effect of accounting change	--	--	
Total diluted earnings (loss) per share	$ 0.04	$ (0.09)	$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING			
Basic..	10,941	10,543	
Net effect of dilutive stock options.................	306	--	
Diluted...	11,247	10,543	

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NET INCOME (LOSS), AS SET FORTH ABOVE....................	$ 418	$ (913)	$
Foreign currency translation adjustments.................	392	(49)	
COMPREHENSIVE INCOME (LOSS)..............................	$ 810	$ (962)	$

See accompanying notes.

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

ASSETS	JUNE 30, 2002
	(In tho
CURRENT ASSETS	
Cash and cash equivalents...	$ 36,248
Securities available for sale.......................................	3,681
Accounts receivable (less allowances of $323 at June 30, 2002 and $433 at December 31, 2001).......................	19,282
Refundable taxes..	1,151
Inventories...	1,198
Prepaid expenses and other..	761
Deferred income tax...	1,368
	63,689

PROPERTY, EQUIPMENT, AND PURCHASED SOFTWARE

Computer equipment and office furniture	17,582
Purchased software	9,167
Leasehold improvements	3,481
Transportation equipment	194
	30,424
Less -- Accumulated depreciation and amortization	(21,108)
	9,316
OTHER ASSETS	
Assets of leasing operations, net of amortization	8,270
Intangibles (less accumulated amortization of $16,499 at June 30, 2002 and $14,938 at December 31, 2001)	1,871
Deferred income tax	276
Loans receivable	51
Other	151
	10,619
TOTAL ASSETS	$ 83,624

See accompanying notes.

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

LIABILITIES AND SHAREHOLDERS' EQUITY	JUNE 30, 2002
	(In tho
CURRENT LIABILITIES	
Accounts payable	$ 992
Accrued payroll, related taxes and withholdings	2,783
Deferred revenues	761
Accrued expenses and taxes	932
Current portion of notes payable	1,973
Other	2
	7,443
LONG-TERM LIABILITIES	511
SHAREHOLDERS' EQUITY	
Preferred stock, par value $.01, 5,000,000 shares authorized, none issued	
Common stock, par value $ .01, 45,000,000 shares authorized, issued -- 16,778,700 and 16,723,000 shares at June 30, 2002 and December 31, 2001, respectively	168

Additional paid-in capital	108,869
Retained earnings	776
Accumulated other comprehensive gain (loss) -- foreign currency translation adjustment	68
	109,881
Less -- Treasury stock (5,807,136 and 5,828,374 shares at June 30, 2002 and December 31, 2001, respectively)	34,211
Total shareholders' equity	75,670
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 83,624

See accompanying notes.

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

	SIX MONTHS E 2002
	(In tho
OPERATING ACTIVITIES	
Income (loss) before cumulative effect of accounting change	$ 1,060
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	6,763
Non-cash stock option compensation expense	439
Treasury stock contributed to 401(k) plan and other	104
Changes in operating assets and liabilities	(2,204)
Net cash provided by operating activities	6,162
INVESTING ACTIVITIES	
Sale (purchase) of marketable securities	1,640
Disposal of leased equipment	2,713
Decrease in investment in direct financing leases and residuals	71
Purchase of property, equipment and software, net	(2,315)
Other	(10)
Net cash provided by or (used) in investing activities	2,099
FINANCING ACTIVITIES	
Payments on notes payable, net	(2,885)
Purchase of Company common stock	--
Proceeds from issuance of Company common stock	326
Other	295
Net cash used in financing activities	(2,264)

Increase in cash and cash equivalents		5,997
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		30,251
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	36,248

See accompanying notes.

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

The accompanying unaudited consolidated financial statements have been prepared by TechTeam Global, Inc. ("TechTeam" or "Company") in accordance with generally accepted accounting principles 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 (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company and Subsidiaries' annual report on Form 10-K for the year ended December 31, 2001.

Certain reclassifications have been made to the 2001 financial statements in order to conform to the 2002 financial statement presentation.

NOTE A -- EARNINGS PER SHARE

Earnings per share is computed using the weighted average number of common shares and common share equivalents outstanding. Common share equivalents consist of stock options and are calculated using the treasury stock method.

NOTE B -- REVENUES FROM MAJOR CLIENTS

Revenues from clients that represented ten percent or more of total revenue are as follows:

	2002		
	AMOUNT	PERCENT OF TOTAL	AMOUNT
	(In thousands except percent of total		
THREE MONTHS ENDED JUNE 30			
Ford Motor Company	$ 11,004	50.2%	$ 9,88
DaimlerChrysler	3,154	14.4%	4,27
SIX MONTHS ENDED JUNE 30			
Ford Motor Company	$ 22,121	49.3%	$ 20,38
DaimlerChrysler	6,580	14.7%	9,02

NOTE C -- LEGAL PROCEEDINGS

Refer to Part II, Item 1 for a description of legal proceedings.

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

NOTE D -- SEGMENT REPORTING

	CORPORATE SERVICES					L
	CORPORATE HELP DESK SERVICES	TECHNICAL STAFFING	SYSTEMS INTEGRATION	TRAINING PROGRAMS	TOTAL	OP
			(In thousands)			
THREE MONTHS ENDED JUNE 30, 2002						
Revenues..................	$ 14,309	$ 2,594	$ 2,211	$ 307	$ 19,421	$
Gross profit..............	3,875	454	553	43	4,925	
Depreciation and amortization...........	716	6	2	3	727	
Expenditures for property..	948	4	1	2	955	
THREE MONTHS ENDED JUNE 30, 2001						
Revenues..................	$ 12,477	$ 3,645	$ 1,441	$ 603	$ 18,166	$
Gross profit..............	3,976	558	541	89	5,164	
Depreciation and amortization...........	517	105	3	20	645	
Expenditures for property..	397	81	3	--	481	
SIX MONTHS ENDED JUNE 30, 2002						
Revenues..................	$ 28,728	$ 5,402	$ 4,446	$ 583	$ 39,159	$
Gross profit..............	7,782	811	1,144	110	9,847	
Depreciation and amortization...........	1,402	13	5	5	1,425	
Expenditures for property..	1,671	12	4	4	1,691	
SIX MONTHS ENDED JUNE 30, 2001						
Revenues..................	$ 25,490	$ 8,013	$ 3,110	$ 1,320	$ 37,933	$
Gross profit..............	7,809	1,409	1,128	174	10,520	
Depreciation and amortization...........	1,026	211	7	44	1,288	
Expenditures for property..	765	148	5	--	918	
SEGMENT ASSETS						
June 30, 2002.............	$ 18,614	$ 2,309	$ 1,938	$ 287	$ 23,148	$

December 31, 2001.........	14,575	2,307	2,803	518	20,203

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

NOTE D-- SEGMENT REPORTING (continued)

	GEOGRAPHIC INFORMATION REVENUE		
	THREE MONTHS ENDED JUNE 30,		SIX MON
	2002	2001	2002
	(In thousands)		
United States..................................	$ 18,114	$ 20,596	$ 37
European.......................................	3,788	2,925	7
Total..	$ 21,902	$ 23,521	$ 44

	ASSETS	
	JUNE 30,	DECEMBER 31,
	2002	2001
	(In thousands)	
United States................................	$ 76,301	$ 81,676
European.....................................	7,323	5,445
Total..	$ 83,624	$ 87,121

A reconciliation of the totals reported for the operating segments to the applicable line item in the consolidated financial statements is as follows:

	SIX MONTHS ENDED JUN	
	2002	

	(In thousands)	
Depreciation and amortization		
Total for reportable segments	$ 6,086	$
Corporate assets	677	
Total depreciation and amortization	$ 6,763	$

	JUNE 30, 2002	DECE
	(In thousands)	
Assets		
Total assets for reportable segments	$ 35,027	$
Corporate assets	48,597	
Total assets	$ 83,624	$

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

NOTE E -- EFFECTS OF ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed annually for impairment, or more frequently if impairment indicators arise. Separable intangible assets that have finite lives will continue to be amortized over their useful lives. In the fourth quarter of 2001, TechTeam announced that $1.1 million of goodwill related to leasing operations would become impaired after adoption of SFAS 142. As of January 1, 2002 the Company adopted SFAS 142. Accordingly, the Company has taken a charge of $1.1 million in the first quarter of 2002. Under SFAS 142, the charge recognized upon adoption of the statement is reported as the cumulative effect of an accounting change. Reported income and earnings per share adjusted to exclude goodwill amortization is as follows:

	THREE MONTHS ENDED JUNE 30,		SI
	2002	2001	20
	(In thousands)		
Reported income (loss) before cumulative effect of accounting change	$ 418	$ (913)	$
Add back goodwill amortization	--	286	

Adjusted income (loss) before cumulative effect of accounting change	$ 418	$ (627)	$
Basic and diluted earnings per share:			
Income (loss) before cumulative effect of accounting change as reported	$ 0.04	$ (0.09)	$
Goodwill amortization	--	0.03	
Income (loss) before cumulative effect of accounting change as adjusted	$ 0.04	$ (0.06)	$

NOTE F -- EXECUTIVE STOCK OPTIONS

As previously disclosed in the Company's 2002 Proxy Statement and other filings with the U.S. Securities and Exchange Commission, TechTeam Global and its President and Chief Executive Officer, Dr. William F. Coyro, Jr., entered into an employment agreement on August 9, 2001. The terms of the agreement provide for TechTeam Global stock options granted to Dr. Coyro to become exercisable on September 30, 2002, with the number of stock options to become exercisable determined by the average closing price of the Company's common stock during the month of September 2002. As the Company's share price increases, the number of stock options that will become exercisable by Dr. Coyro also increases, up to a maximum of 325,000 stock options.

Accounting Principles Board Opinion No. 25 requires that the Company accrue expense when it becomes probable that the options will be awarded and the number of options can be reasonably estimated. The expense is based on the appreciation in the intrinsic value of the stock options during the period. As a result of the increase in the trading price of TechTeam Global common stock since the date of grant, the Company recorded as expense a non-cash, pretax charge of $408,000 during the quarter ended June 30, 2002. This charge was recorded under selling, general, and administrative expenses. Consistent with the application of this accounting principle, the Company also expects to record a second and final non-cash, pretax charge or credit to earnings of indeterminate size during the quarterly period ending September 30, 2002, representing appreciation or depreciation, if any, in the intrinsic value of Dr. Coyro's variable stock option grant.

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

Certain of the statements contained in this report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Our actual results may differ materially from those included in the forward-looking statements. We caution readers not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. We do not undertake an obligation to revise or publicly release the results of any revisions to these forward-looking statements. You should carefully review the risk factors described in other documents the Company files from time to time with the SEC, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

OVERVIEW

TECHTEAM GLOBAL, INC. ("TechTeam" or "Company") is a global provider of information technology and business process outsourcing support services to entities, including Fortune 1000 companies, multinational companies, product providers, and governments. These services are provided with a single point of contact philosophy centralized on TechTeam's help desk support services. TechTeam also offers other services, including technology deployment and migration services, consulting, systems integration, training, and technical staffing. TechTeam provides support services in Europe through its subsidiaries: TechTeam Europe, NV/SA; TechTeam Europe, Ltd.; TechTeam Europe, GmbH, and TechTeam Europe AB.

TechTeam Global is incorporated under the laws of the State of Delaware. The Company's common stock is traded on the Nasdaq Stock Market under the symbol "TEAM". TechTeam's client base includes Ford Motor Company, DaimlerChrysler, Deere & Company, Cendant Corporation, Liberty Mutual Insurance Company, Schering-Plough Research Institute, and other companies in the manufacturing, office equipment, insurance, logistics, hospitality, food service and retail industries, among others.

CORPORATE SERVICES

TechTeam's Corporate Services primarily consist of technical help desk services, technical staffing, systems integration, and training programs, integrated to provide total and flexible solutions for its customers.

HELP DESK SERVICES

TechTeam's help desk solutions provide corporate end users with around-the-clock technical support from the customer's facilities or from TechTeam's help desk sites. TechTeam supports the full range of a client's IT and business process infrastructure, from network environments to computing systems, and shrink-wrap to advanced proprietary and acquired application systems. TechTeam's flexibility and business processes enable it to tailor its delivery to meet the needs of supporting the customer's IT environment, including proprietary business applications.

TechTeam follows a "single point of contact" (SPOC) model to enable the customer to consolidate its incident resolution support functions into a centralized help desk. TechTeam's technicians are specially trained in the customer's products and applications to diagnose problems and answer technical questions. The Company's technicians answer questions and diagnoses technical problems ranging from application features and functionality to wide area network failures. If the technician is not able to resolve the problem with the end user, the call is escalated to the appropriate resource to solve the problem. Data collected by TechTeam technicians show trends in IT usage and trouble spots. TechTeam implements advanced data analytics to identify the cause(s) of problem areas. From this analysis, TechTeam offers to its customer improvement opportunities.

As end users often want different channels of communications to resolve problems other than the telephone, the Company has invested in and developed an integrated, Internet-enabled, help desk technology tool, called TechTeam's Support Portal. From the Support Portal web site, an individual seeking support may access a knowledge base to obtain solutions to problems, submit a problem for resolution to a support technician, or check the status of a help desk incident. TechTeam's incident management tool, the Global Call Center, has been integrated with knowledge management and solution products licensed from a number of leading software vendors. TechTeam's customer management section of the portal provides the customer with access to detailed performance reports and other management tools. The Support Portal's knowledge management, data analytics, computer diagnostics and tracking technology are designed to help increase the Company's efficiency in providing support, improve the end user's experience with the help desk, and enable TechTeam's customers to benefit from lower cost and improved efficiency.

TechTeam has deployed the Support Portal technology internally and with many of its existing customers. The technology has improved the efficiency of the TechTeam's service delivery. The Support Portal is an important part of the Company's help desk solutions.

The Company operates major help desks in the United States from its Southfield and Dearborn, Michigan and Davenport, Iowa locations. From its facility in Brussels, Belgium, TechTeam has the capability to provide multilingual help desk support for its customers in as many as 20 languages. TechTeam also provides help desk services from many of its customers' sites.

TECHNICAL STAFFING

The Company maintains a staff of trained technical personnel to provide IT and business process support to its clients at their facilities. The Company recruits a technically proficient employee base. TechTeam enhances its employees' proficiency by providing access to its technical training programs. Training in new technology, in advanced operating systems like Windows 2000, XP and Unix, and in sophisticated applications such as SAP and PeopleSoft, allows TechTeam to provide its customers with highly skilled professionals trained and certified in the latest technology.

Further, the technical staffing business helps TechTeam to provide its employees with a diverse career path. As help desk technicians learn technology and use the Company's internal training programs, they can be migrated to technical staffing positions where they can increase their compensation and knowledge, while the Company retains its most valuable resources. TechTeam considers its career pathing program to be a competitive advantage relative to other staffing and help desk service providers and an excellent tool to prevent employee turnover.

SYSTEMS INTEGRATION

TechTeam provides systems integration, technology deployment and implementation services from project planning and management, to full-scale network server and workstation installations. TechTeam offers a wide range of information technology services for the customer, ranging from desk-side support to network monitoring. Through its TechTeam Cyntergy, L.L.C. subsidiary, the Company offers deployment, training and implementation services to entities in hospitality, retail and food service industries throughout the United States.

TRAINING

TechTeam provides custom training and documentation solutions that include a wide spectrum of options including computer-based training (CBT), distance learning, course catalogs, registration, instructional design consultants, customized course materials, certified trainers, evaluation options, desk-side tutorials, and custom reports. The Company provides customized training programs for many of its customers' proprietary applications.

EQUIPMENT LEASING

TechTeam Capital Group, L.L.C. (Capital Group) previously wrote leases for computer, telecommunications, and other types of capital equipment, with initial lease terms ranging from 2 to 5 years. Effective March 31, 2000, TechTeam restructured Capital Group. At that time, the majority of the Capital Group staff was terminated, and Capital Group ceased actively looking for new leasing opportunities. Capital Group is currently running out its lease portfolio. With the exception of renewals of existing leases, the portfolio will run off in approximately one year. The Company cannot predict how many lease renewals it will receive or for how long they will be in effect.

RESULTS OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO JUNE 30, 2001

Revenues decreased 7% to $21.9 million from $23.5 million. This decline was principally due to a decrease in revenues from leasing operations, from $5.4 million in 2001 to $2.5 million in 2002, a reduction of 54%. This decrease is due to the Company's decision to discontinue actively seeking new leasing business and to manage the winding down of its leasing portfolio. The Company anticipates the trend of lower leasing revenues will continue over the next year depending on the size and duration of renewals. Revenues from corporate help desk services increased 15% to $14.3 million from $12.5 million, primarily due to growth in business with our existing customers, especially Ford Motor Company. Revenues from systems integration services grew 53%, from $1.4 million in 2001 to $2.2 million in 2002, largely due to new business resulting from the acquisition of certain assets of Cyntergy Corporation in September 2001. Revenues from technical staffing declined 29% to $2.6 million from $3.6 million, principally as the result of aggressive cost reductions imposed on the Company by our customers. Revenues from the provision of training programs decreased 49%, from $0.6 million to $0.3 million.

Gross profit as a percentage of sales decreased to 23.6% from 23.4%. This decline was primarily due to a decrease in gross profit margins from the Company's leasing operations, systems integration, and corporate help desk services. This decline was partially offset by an improvement in the gross margin performance of the technical staffing services business.

Selling, general, and administrative expense declined 24% to $4.4 million from $5.8 million. The $4.4 million of expense in 2002 included a non-cash charge of $408,000 resulting from the appreciation in the intrinsic value of a variable stock option grant made to the Company's President and Chief Executive Officer, pursuant to an employment agreement entered into on August 9, 2001. The $5.8 million of expense in 2001 included a net settlement of $370,000 related to earnout and release agreements with former officers of TechTeam Capital Group and severance payments of $120,000 that were paid to certain administrative employees terminated during the period. Additionally in 2001, a write-down of $165,000 was taken as a result of the Company's decision to cease making payments on insurance contracts for a former officer of the Company. Also, the Company adopted SFAS 142 as of January 1, 2002. Consequently, the Company did not realize any goodwill amortization expense during the second quarter of 2002. The Company recognized $286,000 of such expense during the second quarter of 2001. Excluding the impact of these foregoing items, selling, general, and administrative expense declined 18% year-over-year as a result of aggressive cost containment and expense reduction initiatives.

Interest income declined from $298,000 in the second quarter 2001 to $269,000 in the current period as a result of reduced returns from the Company's cash investments. The decline in our investment yield is consistent with the overall decline in market interest rates and returns. Interest expense decreased significantly, from $184,000 to $14,000, due to the continuing reduction in outstanding debt related to the Company's leasing operations and a $30,000 reduction in the assessment of Michigan Single Business Tax interest.

The consolidated income tax expense includes a tax provision for European operations based on effective tax rates, which are not significantly different than the statutory rates, and includes a provision for U.S. operations based on an effective tax rate that differs from the statutory rate due to certain nondeductible items.

RESULTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO JUNE 30, 2001

Revenues decreased 9% to $44.8 million from $49.0 million. This decline was primarily due to a substantial decrease in revenue from leasing operations, from $11.1 million in 2001 to $5.7 million in 2002, a reduction of 49%. Revenues from corporate help desk services increased 13% to $28.7 million from $25.5 million due to growth in business with our existing customers, primarily Ford Motor Company and new business resulting from the Cyntergy asset acquisition in September 2001. Revenues from systems integration services grew 43%, from $3.1 million in 2001 to $4.4 million in 2002 primarily due to growth of the Company's customer base associated with the Cyntergy asset acquisition. Revenues from technical staffing decreased 33% to $5.4 million from $8.0 million as a result of price concessions granted to existing customers and reductions in placements. Revenues from the provision of training programs declined 56%, from $1.3 million to $0.6 million primarily due to discontinuance of training contracts with Sun Microsystems, Inc. and one of the Company's major automotive customers.

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Gross profit as a percentage of sales decreased to 23.0% from 23.3%. This decline was primarily due to decreases in the gross profit margins from the Company's leasing operations and corporate help desk services business. Leasing operation margins were affected by a decrease in revenue as the Company winds down its leasing portfolio. Corporate help desk services margins were impacted by customer pricing concessions and transitional costs from the acquisition of assets from Cyntergy.

Selling, general, and administrative expense declined 25% to $8.3 million from $11.1 million. The $11.1 million of expense in 2001 included the earnout settlement with former officers of TechTeam Capital Group and severance payments made to terminate administrative and other employees. Additionally, the Company recognized $570,000 of goodwill amortization during the first six-months of 2001, which was not incurred as selling, general, and administrative expense in the first six-months of 2002.

Interest expense decreased significantly due to less debt related to leasing operations. Interest income declined due to lower returns on the Company's investments.

The consolidated income tax expense includes a tax provision for European operations based on effective tax rates, which are not significantly different than the statutory rates, and includes a provision for U.S. operations based on an effective tax rate that differs from the statutory rate due to certain nondeductible items.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

At June 30, 2002, the Company had deferred tax assets of $1.4 million, primarily related to alternative minimum tax credit carry forwards in the United States, which do not expire. Realization of the deferred tax assets depends upon sufficient levels of future taxable income. Based on historical and expected future taxable income, the Company believes it is more likely than not that deferred tax assets will be realized. If at any time the Company believes that current or future taxable income will not support the realization of deferred tax assets, a valuation allowance would be provided.

The Company periodically reviews its estimate of residual values of leased assets, which consist principally of computer equipment. The values of the leased assets are impacted by a number of factors including the speed of technological change, the market for used computer equipment, the disposition of customers towards lease renewals, and the ability of the Company to offer alternatives to its customers. There can be no assurance that the Company's estimates of residual values will accurately reflect future results.

The Company periodically reviews its accounts receivable balances for collectibility. The Company's customers are generally large, well-established entities. As the Company's leasing portfolio winds down, additional collection challenges may be encountered. There can be no assurance that the Company's estimates of collectibility will accurately reflect future results.

LIQUIDITY AND CAPITAL RESOURCES

BALANCE SHEET

As of June 30, 2002 the Company's balance sheet reflects a high degree of liquidity and little financial leverage.

Cash, cash equivalents and marketable securities increased by $4.4 million, from $35.6 million on December 31, 2001 to $39.9 million on June 30, 2002. The Company's working capital position increased by $9.1 million during the first six months of 2002, from $47.1 million as of December 31, 2001 to $56.2 million as of June 30, 2002.

The Company's total debt decreased by $2.9 million during the first six months of 2002, from a balance of $5.2 million on December 31, 2001 to $2.3 million on June 30, 2002. The Company's total debt as a percentage of its cash, cash equivalents, and securities decreased from 14.5% on December 31, 2001 to 5.7% on June 30, 2002.

CASH FLOW PROVIDED FROM OPERATIONS

Cash flow provided from operating activities was $6.2 million for the six months ended June 30, 2002. The largest source of operating cash flow was from the leasing business, where cash rental income and non-cash depreciation and amortization expense comprise substantially all of the operating activities. Depreciation and amortization

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expense for the six-months ended June 30, 2002 was $6.8 million, of which $4.7 million came from the Company's leasing operations.

The Company believes that cash flows provided from operations will continue to be sufficient to meet its ongoing working capital requirements.

CASH FLOW PROVIDED FROM INVESTING ACTIVITIES

Cash flow provided from investing activities was $2.1 million for the six months ended June 30, 2002. The Company used $2.3 million to purchase assets to be used in the provision of customer services and received $2.7 million from the sale of assets used in leasing operations. The Company also received $1.6 million from the sale of marketable securities.

CASH FLOW USED IN FINANCING ACTIVITIES

Cash flow used in financing activities was $2.3 million. The Company used $2.9 million to pay down debt related to leasing operations and received $0.3 million from the issuance of common stock related to the exercise of stock options.

PART II -- OTHER INFORMATION

ITEM 1 -- LEGAL PROCEEDINGS

The Company is a party to legal proceedings, which 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 the Company's liquidity, financial position or results of operations.

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

The Company held its Annual Meeting of Shareholders on May 8, 2002. The holders of 8,685,932 shares were present in person or by proxy, representing attendance by at least 85% of the outstanding shares. 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	8,619,786	66,146
William F. Coyro, Jr.	8,605,826	80,106
Peter T. Kross	8,659,786	26,146
Kenneth G. Meade	8,652,186	33,746
Wallace D. Riley	8,658,986	26,946
Gregory C. Smith	8,651,386	34,546
Richard G. Somerlott	8,653,916	32,016
Ronald T. Wong	8,667,871	18,061

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

For	Withheld

8,682,887	3,045

(c) Approval of Company name change:

For	Withheld
8,670,871	15,061

ITEM 5 -- OTHER INFORMATION

SHAREHOLDER PROPOSALS OR NOMINATIONS

In accordance with the Company's Bylaws, any shareholder proposal or nomination of a person for election to the Board of Directors must be submitted in writing to the Secretary of the Company not less than 90 nor more than 120 days in advance of the date specified in the Company's proxy statement in connection with the previous year's Annual Meeting of shareholders. The submission must include certain specified information concerning the proposal or nominee, as the case may be, and information about the proponent's ownership of the Company's common stock.

Proposals or nominations not meeting these requirements will not be entertained at the Annual Meeting. A proponent should contact the Secretary regarding the proper form and content of submissions.

ITEM 5 -- OTHER INFORMATION (continued)

FORD MOTOR AGREEMENT

On July 31, 2002, the Company entered into an agreement with Ford Motor Company to provide SPOC (Single Point of Contact) support services for those who utilize Ford Motor Company's IT products and services. The agreement has a term of three-years, and it succeeds the one-year contract executed by the Company on August 1, 2001. It encompasses a support center (help desk), desk-side support, and program management services for Ford Motor Company, Ford Financial, Ford Motor Company's Premier Auto Group, and Ford's supplier base. In 2001, the purchase orders covering these services comprised approximately 65% of the Company's $41.2 million in revenue from Ford Motor Company. The program staff is distributed throughout North America and Europe and the Support Centers handle support related requests on a global basis.

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

(a) Exhibits

10.18 Ford Motor Company Agreement Dated July 31, 2002

99.1 Written Statement of the Chief Executive Officer

99.2 Written Statement of the Chief Financial Officer

(b) One report on Form 8-K was filed during the Quarter ended June 30,2002

Notice of Appointment of David W. Morgan as Vice President, Chief Financial

Officer and Treasurer, Maj Homayounfal as Vice President Technology and Heidi K. Hagle as Vice President Human Resources, filed on May 11, 2002.

ITEMS 2 AND 3 ARE NOT APPLICABLE AND HAVE BEEN OMITTED

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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)

Date: 8/08/02

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

Date: 8/08/02

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

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Exhibit Index

Exhibit No.	Description
10.18	Ford Motor Company Agreement Dated July 31, 2002
99.1	Written Statement of the Chief Executive Officer
99.2	Written Statement of the Chief Financial Officer

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