

VERINT SYSTEMS INC
Form 10-Q
September 09, 2004

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

FORM 10-Q

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

For the quarterly period ended July 31, 2004

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-49790

Verint Systems Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

11-3200514

(I.R.S. Employer
Identification No.)

330 South Service Road, Melville, NY

(Address of principal executive offices)

11747

(Zip Code)

(631) 962-9600

(Registrant's telephone number, including area code)

Not Applicable

Former name, former address and former fiscal year,
if changed since last report)

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 (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares of Common Stock, par value \$0.001 per share,
outstanding as of September 3, 2004 was 30,940,342.

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FORWARD-LOOKING STATEMENTS

From time to time, the Company makes forward-looking statements. Forward-looking statements include financial projections, statements of plans and objectives for future operations, statements of future economic performance, and statements of assumptions relating thereto. Forward-looking statements are often identified by future or conditional words such as will, plans, expects, believes, seeks, estimates, or anticipates, or by variations of such words or by similar expressions.

The Company may include forward-looking statements in its periodic reports to the Securities and Exchange Commission on Forms 10-K, 10-Q, and 8-K, in its annual report to stockholders, in its proxy statements, in its press releases, in other written materials, and in statements made by employees to analysts, investors, representatives of the media, and others.

By their very nature, forward-looking statements are subject to uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. Actual results may differ materially due to a variety of factors, including without limitation those discussed under Certain Trends and Uncertainties and elsewhere in this report. Investors and others should carefully consider these and other uncertainties and events, whether or not the statements are described as forward-looking.

Forward-looking statements made by the Company are intended to apply only at the time they are made, unless explicitly stated to the contrary. Moreover, whether or not stated in connection with a forward-looking statement, the Company makes no commitment to revise or update any forward-looking statements in order to reflect events or circumstances after the date any such statement is made. If the Company were in any particular instance to update or correct a forward-looking statement, investors and others should not conclude that the Company would make additional updates or corrections thereafter.

PART I
ITEM 1. Financial Statements.

VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)

<u>ASSETS</u>	January 31, 2004*	July 31, 2004 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 200,716	\$ 181,403
Short-term investments	27,997	39,228
Accounts receivable, net	33,654	41,459
Inventories	15,833	13,953
Prepaid expenses and other current assets	6,007	6,198
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TOTAL CURRENT ASSETS	284,207	282,241
PROPERTY AND EQUIPMENT, net	14,129	16,043
INTANGIBLE ASSETS	2,051	10,769
GOODWILL	14,364	39,383
OTHER ASSETS	13,955	13,338
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TOTAL ASSETS	\$ 328,706	\$ 361,774

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 50,301	\$ 61,422
Advance payments from customers	26,701	34,389
Convertible note	2,200	
Current maturities of long-term bank loan	441	319
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	79,643	96,130
LONG-TERM LIABILITIES	4,395	4,980
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TOTAL LIABILITIES	84,038	101,110
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value authorized, 120,000,000 shares; issued and outstanding, 30,098,732 and 30,905,463 shares	30	31
Additional paid-in capital	262,472	271,402

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Unearned stock compensation	(1,615)	(1,407)
Accumulated deficit	(16,917)	(9,732)
Accumulated other comprehensive income	698	370
TOTAL STOCKHOLDERS EQUITY	244,668	260,664
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 328,706	\$ 361,774

*The Condensed Consolidated Balance Sheet as of January 31, 2004 has been summarized from the Company's audited Consolidated Balance Sheet as of that date.

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

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VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

	Six months ended July 31,		Three months ended July 31,	
	2003	2004	2003	2004
Sales	\$ 91,307	\$ 116,805	\$ 46,892	\$ 60,167
Cost of sales	42,678	52,863	21,766	27,106
Gross profit	48,629	63,942	25,126	33,061
Operating expenses:				
Research and development, net	11,027	14,680	5,692	7,889
Selling, general and administrative	29,970	38,414	15,301	19,820
In-process research and development		3,154		
Write-down of capitalized software		1,481		
Income from operations	7,632	6,213	4,133	5,352
Interest and other income, net	935	1,447	420	865
Income before income tax provision	8,567	7,660	4,553	6,217
Income tax provision	1,078	475	576	546
Net income	\$ 7,489	\$ 7,185	\$ 3,977	\$ 5,671
Earnings per share:				
Basic	\$ 0.29	\$ 0.24	\$ 0.15	\$ 0.18
Diluted	\$ 0.28	\$ 0.22	\$ 0.14	\$ 0.17

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

VERINT SYSTEMS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six months ended	
	July 31,	
	2003	2004
Cash flows from operating activities:		
Net cash from operations after adjustment for non-cash items	\$ 12,785	\$ 17,619
Changes in operating assets and liabilities:		
Accounts receivable	(7,054)	(7,606)
Inventories	(48)	1,880
Prepaid expenses and other current assets	(470)	(191)
Accounts payable and accrued expenses	7,244	8,638
Advance payments from customers	(1,410)	7,688
Other, net	374	(585)
	11,421	27,443
Cash flows from investing activities:		
Cash paid for a business combination	(6,115)	(36,107)
Purchases of property and equipment	(3,049)	(3,740)
Capitalization of software development costs	(2,170)	(2,040)
Purchase of short-term securities, net		(11,351)
	(11,334)	(53,238)
Cash flows from financing activities:		
Net repayments of bank loans	(42,557)	(227)
Proceeds from issuance of common stock		