

CENTRA SOFTWARE INC
Form 10-Q
August 06, 2004
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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED June 30, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 000-27861

Centra Software, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3268918
(I.R.S. Employer
Identification No.)

430 Bedford Street, Lexington, MA 02420

(Address of Principal Executive Offices)

(781) 861-7000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) 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 Exchange Act Rule 12b-2). Yes No

The number of shares outstanding of the registrant's common stock as of August 4, 2004 was 27,399,472.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****CENTRA SOFTWARE, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****(in thousands, except share and per share data)****(unaudited)**

	December 31, 2003	June 30, 2004
	<u> </u>	<u> </u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 13,357	\$ 10,837
Short-term investments	15,531	19,549
Accounts receivable, net of reserves of \$441 and \$315 at December 31, 2003 and June 30, 2004, respectively	7,832	4,139
Prepaid expenses	618	897
Other current assets	361	307
	<u> </u>	<u> </u>
Total current assets	37,699	35,729
	<u> </u>	<u> </u>
Property and equipment, at cost:		
Computers and equipment	9,601	10,268
Furniture and fixtures	963	1,164
Leasehold improvements	649	675
	<u> </u>	<u> </u>
	11,213	12,107
Less: Accumulated depreciation and amortization	9,549	10,329
	<u> </u>	<u> </u>
	1,664	1,778
Long-term investments	5,888	
Restricted cash	433	433
Other assets	111	43
Intangible assets, net of amortization	233	
	<u> </u>	<u> </u>
Total assets	\$ 46,028	\$ 37,983
	<u> </u>	<u> </u>
Liabilities and Stockholders Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,711	\$ 975
Accounts payable	904	1,335
Accrued expenses	6,195	6,037
Deferred revenue	12,340	12,435

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Total current liabilities	21,150	20,782
Long-term debt, net of current maturities	553	249
Commitments and contingencies (Note 4)		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; Authorized-10,000,000 shares, no shares issued at December 31, 2003 and June 30, 2004		
Common stock, \$0.001 par value; Authorized-100,000,000 shares as of December 31, 2003 and June 30, 2004;		
Issued-27,787,573 shares at December 31, 2003 and 28,133,798 at June 30, 2004;		
Outstanding-27,047,310 shares at December 31, 2003 and 27,393,535 shares at June 30, 2004		
Additional paid-in capital	112,489	113,069
Accumulated deficit	(88,106)	(96,083)
Deferred compensation	(47)	(2)
Accumulated other comprehensive income	22	1
Treasury stock; 740,263 shares of common stock at December 31, 2003 and June 30, 2004, at cost	(61)	(61)
Total stockholders' equity	24,325	16,952
Total liabilities and stockholders' equity	\$ 46,028	\$ 37,983

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

Table of Contents**CENTRA SOFTWARE, INC. AND SUBSIDIARIES****Consolidated Statements of Operations****(in thousands, except per share data)****(unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2004	2003	2004
Revenues:				
License	\$ 4,613	\$ 2,612	\$ 8,978	\$ 5,143
Software services	2,093	2,630	3,936	5,001
Maintenance and professional services	3,686	4,015	7,161	7,749
Total revenues	10,392	9,257	20,075	17,893
Cost of Revenues:				
License	133	54	273	131
Amortization of acquired developed technology	175	58	350	233
Software services	560	593	1,141	1,229
Maintenance and professional services	1,084	1,060	2,115	2,036
Total cost of revenues	1,952	1,765	3,879	3,629
Gross profit	8,440	7,492	16,196	14,264
Operating Expenses:				
Sales and marketing	5,488	6,897	10,945	12,052
Product development	2,999	2,817	5,953	5,576
General and administrative	2,236	2,162	4,582	4,140
Restructuring charges		547		547
Total operating expenses	10,723	12,423	21,480	22,315
Operating loss	(2,283)	(4,931)	(5,284)	(8,051)
Interest income	120	94	228	185
Interest expense	(34)	(12)	(75)	(37)
Other (expense) income, net	(10)	10	5	(74)
Net loss	\$ (2,207)	\$ (4,839)	\$ (5,126)	\$ (7,977)
Basic and diluted net loss per share	\$ (0.08)	\$ (0.18)	\$ (0.20)	\$ (0.29)
Basic and diluted weighted average shares outstanding	26,385	27,335	26,231	27,243

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

Table of Contents**CENTRA SOFTWARE, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(in thousands)****(unaudited)**

	Six Months Ended	
	June 30,	
	2003	2004
Cash Flows from Operating Activities:		
Net loss	\$ (5,126)	\$ (7,977)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,476	1,029
Provision for bad debt	108	(120)
Stock compensation charges	220	15
Changes in assets and liabilities:		
Accounts receivable	402	3,735
Prepaid expenses and other current assets	(12)	(181)
Accounts payable	252	427
Accrued expenses	(893)	(159)
Deferred revenue	1,822	141
	<u> </u>	<u> </u>
Net cash used in operating activities	(1,751)	(3,090)
	<u> </u>	<u> </u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(342)	(918)
Purchase of investments	(36,080)	(29,817)
Maturities of investments	22,801	31,689
Other assets	1	25
	<u> </u>	<u> </u>
Net cash (used in) provided by investing activities	(13,620)	979
	<u> </u>	<u> </u>
Cash Flows from Financing Activities:		
Proceeds from issuance of common stock	375	610
Proceeds from term loans	255	
Payments on term loans	(1,000)	