

CITRIX SYSTEMS INC
Form 10-Q/A
March 07, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1

(Mark One)

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

For the quarterly period ended March 31, 2004

or

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 0-27084

CITRIX SYSTEMS, INC.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

75-2275152
(IRS Employer Identification No.)

incorporation or organization)

851 West Cypress Creek Road

Fort Lauderdale, Florida
(Address of principal executive offices)

33309
(Zip Code)

Registrant's Telephone Number, Including Area Code:

(954) 267-3000

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

As of May 3, 2004 there were 170,208,451 shares of the registrant's Common Stock, \$.001 par value per share, outstanding.

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EXPLANATORY NOTE

Citrix Systems, Inc. (the "Company") is filing this Amendment No. 1 to its Form 10-Q for the quarter ended March 31, 2004 (the "2004 First Quarter 10-Q"), which was originally filed on May 7, 2004, to restate its condensed consolidated balance sheets as of March 31, 2004 and December 31, 2003, its condensed consolidated statements of cash flows for the three months ended March 31, 2004 and 2003 and the related disclosures.

This Amendment No. 1 is being filed to address comments from the staff (the "Staff") of the Securities and Exchange Commission (the "SEC") in connection with the Staff's normal periodic review of the Company's filings. As a result of the review, the Company is restating the accompanying March 31, 2004 and December 31, 2003 condensed consolidated balance sheets to correct an error in the classification of the portion of the Company's cash equivalents and investments that are pledged as collateral under the Company's synthetic lease arrangement, credit default contracts and interest rate swaps to classify such assets separately as restricted cash equivalents and investments. In its filings with the SEC, the Company has disclosed in narrative form the specific amounts pledged under its synthetic lease arrangement, credit default contracts and interest rate swaps from the inception of each arrangement and is now separately classifying the aggregate amounts pledged as long-term restricted cash equivalents and investments in its condensed consolidated balance sheets. Please refer to Note 1 to the accompanying condensed consolidated financial statements for additional information.

The Company has also made certain balance sheet, income statement and cash flow reclassifications. The Company reclassified investments in auction rate securities that were previously classified as cash equivalents in the accompanying March 31, 2004 and December 31, 2003 condensed consolidated balance sheets to short-term investments. The condensed consolidated statements of cash flows for the three months ended March 31, 2004 and 2003 were adjusted to reflect the impact of the reclassification. The Company also reclassified the amortization of core and product technology previously classified as an operating expense to a component of cost of revenues in the accompanying condensed consolidated statements of income. The condensed consolidated statements of income for the three months ended March 31, 2004 and 2003 were adjusted to reflect the impact of this change in classification. Additionally, the Company reclassified certain items in its condensed consolidated statement of cash flows to separately present investing cash flows for available-for-sale investments and held-to-maturity investments and to separately present investing cash flows from sales of investments and maturities of investments. Please refer to Note 1 to the accompanying condensed consolidated financial statements for additional information on the reclassifications.

This Amendment No. 1 does not result in a change in the Company's previously reported revenues, net income, earnings per share, cash flow from operations, total assets or total cash and investments shown in its condensed consolidated financial statements. Further, except as discussed above, the Company has not modified or updated disclosures presented in the 2004 First Quarter 10-Q in this Form 10-Q/A, except as required to reflect the effects of the items discussed above. For the convenience of the reader, this Form 10-Q/A sets forth the complete text of the originally filed 2004 First Quarter 10-Q rather than just the amended portions thereof. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the 2004 First Quarter 10-Q or modify or update those disclosures affected by subsequent events. Information not affected by these restatements and reclassifications are unchanged and reflects the disclosures made at the time of the original filing of the 2004 First Quarter 10-Q on May 7, 2004. Events occurring after the filing of the 2004 First Quarter 10-Q or other disclosures necessary to reflect subsequent events have been or will be addressed in the Company's original Quarterly Reports on Form 10-Q for the quarterly periods ending June 30, 2004 and September 30, 2004 or amended Quarterly Reports on Form 10-Q/A for such quarterly periods, which are being filed concurrently with the filing of this Form 10-Q/A, and any reports filed with the SEC subsequent to the date of this filing.

This Form 10-Q/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the 2004 First Quarter 10-Q, including any amendments to those filings. The following items have been amended as a result of the restatements and reclassifications described above:

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Part I Item 1- Financial Information

Part I - Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I Item 4 Controls and Procedures

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Form 10-Q/A

For the Quarterly Period Ended March 31, 2004

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	March 31, 2004	December 31, 2003
	(As restated)	(As restated)
	(In thousands, except par value)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 131,561	\$ 182,969
Short-term investments	74,668	385,431
Accounts receivable, net of allowances of \$7,840 and \$6,365 at March 31, 2004 and December 31, 2003, respectively	67,646	87,464
Prepaid expenses and other current assets	39,587	58,167
Current portion of deferred tax assets	51,825	51,540
	<u>365,287</u>	<u>765,571</u>
Total current assets		
Restricted cash equivalents and investments	149,387	146,460
Long-term investments	180,532	183,411
Property and equipment, net	67,026	65,837
Goodwill, net	313,584	152,364
Other intangible assets, net	68,403	21,300
Long-term portion of deferred tax assets		3,168
Other assets	7,330	6,828
	<u>\$ 1,151,549</u>	<u>\$ 1,344,939</u>
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 106,742	\$ 114,456
Current portion of deferred revenues	172,707	152,938
Convertible subordinated debentures		351,423
	<u>279,449</u>	<u>618,817</u>
Total current liabilities		
Long-term portion of deferred revenues	10,973	12,137

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Other liabilities	15,300	7,187
Commitments and contingencies		
Stockholders' equity:		
Preferred stock at \$.01 par value: 5,000 shares authorized, none issued and outstanding		
Common stock at \$.001 par value: 1,000,000 shares authorized; 208,928 and 202,622 issued at March 31, 2004 and December 31, 2003, respectively	209	203
Additional paid-in capital	847,150	700,111
Retained earnings	656,065	646,740
Accumulated other comprehensive income	5,347	7,810
	<u>1,508,771</u>	<u>1,354,864</u>
Less common stock in treasury, at cost (38,860 and 38,150 shares at March 31, 2004 and December 31, 2003, respectively)	(662,944)	(648,066)
	<u>845,827</u>	<u>706,798</u>
Total stockholders' equity	\$ 1,151,549	\$ 1,344,939
	<u>\$ 1,151,549</u>	<u>\$ 1,344,939</u>

See accompanying notes

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Citrix Systems, Inc.

Condensed Consolidated Statements of Income**(Unaudited)**

	Three Months Ended	
	March 31,	
	2004	2003
	(In thousands, except	
	per share information)	
Revenues:		
Software licenses	\$ 87,426	\$ 96,874
Software license updates	58,897	35,240
Services	14,987	11,377
Total net revenues	161,310	143,491
Cost of revenues:		
Cost of software license revenues	1,413	3,293
Cost of services revenues	2,823	1,438
Amortization of core and product technology	3,034	2,874
Total cost of revenues	7,270	7,605
Gross margin	154,040	135,886
Operating expenses:		
Research and development	19,038	15,125
Sales, marketing and support	74,128	61,711
General and administrative	24,751	21,022
Amortization of other intangible assets	726	100
In-process research and development	18,700	
Total operating expenses	137,343	97,958
Income from operations	16,697	37,928
Interest income	5,685	5,663
Interest expense	(4,344)	(4,549)
Write-off of deferred debt issuance costs	(7,219)	
Other income, net	985	346
Income before income taxes	11,804	39,388
Income taxes	2,479	9,059
Net income	\$ 9,325	\$ 30,329

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Earnings share:		
Basic	\$ 0.06	\$ 0.18
	<u> </u>	<u> </u>
Diluted	\$ 0.05	\$ 0.18
	<u> </u>	<u> </u>
Weighted average shares outstanding:		
Basic	166,457	167,300
	<u> </u>	<u> </u>
Diluted	172,584	170,402
	<u> </u>	<u> </u>

See accompanying notes

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Citrix Systems, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	March 31,	
	2004	2003
	(As restated)	(As restated)
	(In thousands)	
OPERATING ACTIVITIES		
Net income	\$ 9,325	\$ 30,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	3,760	2,974
Depreciation and amortization of property and equipment	4,895	7,178
Write-off of deferred debt issuance costs	7,219	
Realized (gain) loss on investments	(548)	47
In-process research and development	18,700	
Provision for doubtful accounts	798	625
Provision for (recovery of) product returns	1,828	(451)
Provision for inventory reserves	402	199
Tax benefit related to the exercise of non-statutory stock options and disqualifying dispositions of incentive stock options	3,953	2,745
Accretion of original issue discount and amortization of financing cost	4,318	4,545
	45,325	17,862
Changes in operating assets and liabilities, net of the effects of acquisition:		
Accounts receivable	20,047	564
Prepaid expenses and other current assets	7,879	4,508
Other assets	(454)	1,174
Deferred tax assets	19	358
Accounts payable and accrued expenses	(18,966)	(2,748)
Deferred revenues	13,605	6,707
Other liabilities	1,186	655
	23,316	11,218
Net cash provided by operating activities	77,966	59,409
INVESTING ACTIVITIES		
Purchases of investments	(21,894)	(53,080)
Proceeds from sales of available-for-sale investments	128,422	7,667
Proceeds from maturities of available-for-sale investments	10,514	43,333
Proceeds from maturities of held-to-maturities investments	195,350	
Purchases of property and equipment	(4,150)	