

EMBARCADERO TECHNOLOGIES INC

Form 10-Q

November 07, 2005

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UNITED STATES
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 September 30, 2005.

.. 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 000-30293

EMBARCADERO TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction)

of incorporation or organization)

68-0310015
(I.R.S. Employer

Identification No.)

100 CALIFORNIA STREET, SUITE 1200

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SAN FRANCISCO, CA 94111

(415) 834-3131

(Address of principal executive offices, including zip code and telephone number, including area code)

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 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of shares outstanding of the Registrant's Common Stock as of October 28, 2005 was 25,880,658.

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Table of Contents**PART I- FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****EMBARCADERO TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(in thousands)****(unaudited)**

	September 30, 2005	December 31, 2004 (1)
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,135	\$ 7,422
Short-term investments	53,580	52,485
Trade accounts receivable, net	7,000	8,339
Prepaid expenses and other current assets	1,873	1,634
Deferred income taxes	546	732
	<u> </u>	<u> </u>
Total current assets	74,134	70,612
Property and equipment, net	2,194	2,922
Goodwill	10,666	10,950
Deferred income taxes	4,110	3,967
Other assets, net	653	1,672
	<u> </u>	<u> </u>
Total assets	\$ 91,757	\$ 90,123
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 633	\$ 1,004
Accrued liabilities	6,247	5,167
Capital lease obligations	163	171
Deferred revenue	14,784	14,503
	<u> </u>	<u> </u>
Total current liabilities	21,827	20,845
Long-term capital lease obligations	126	238
Long-term deferred revenue	194	199
Long-term restructuring accrual	1,235	1,747
	<u> </u>	<u> </u>
Total liabilities	23,382	23,029
	<u> </u>	<u> </u>
Commitments and contingencies (Note 10)		
Stockholders' Equity:		

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Common stock: \$0.001 par value	26	26
Treasury stock	(20,664)	(17,467)
Additional paid-in capital	85,554	85,462
Accumulated other comprehensive income	428	825
Deferred stock-based compensation	(464)	(2,130)
Retained earnings	3,495	378
	<hr/>	<hr/>
Stockholders' equity	68,375	67,094
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 91,757	\$ 90,123
	<hr/>	<hr/>

(1) The balance sheet as of December 31, 2004 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

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

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EMBARCADERO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004		2004	
	2005	(as restated)	2005	(as restated)
Revenues:				
License	\$ 7,136	\$ 7,097	\$ 19,737	\$ 20,564
Maintenance	7,639	6,928	22,193	21,192
Total revenues	14,775	14,025	41,930	41,756
Cost of revenues:				
License	232	283	696	705
Amortization of acquired technology and capitalized software	145	556	709	1,667
Maintenance	526	572	1,588	1,814
Total cost of revenues	903	1,411	2,993	4,186
Gross profit	13,872	12,614	38,937	37,570
Operating expenses:				
Research and development	3,868	3,915	11,650	11,595
Sales and marketing	5,218	5,204	16,479	15,411
General and administrative	1,676	2,260	6,550	5,016
Restructuring and impairment charges				4,068
Litigation settlement charge			573	
Total operating expenses	10,762	11,379	35,252	36,090
Income from operations	3,110	1,235	3,685	1,480
Other income, net	351	203	923	558
Income before provision for income taxes	3,461	1,438	4,608	2,038
Provision for income taxes	(1,106)	(559)	(1,491)	(351)
Net income	\$ 2,355	\$ 879	\$ 3,117	\$ 1,687
Net income per share basic	\$ 0.09	\$ 0.03	\$ 0.12	\$ 0.06

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Net income per share diluted	\$ 0.09	\$ 0.03	\$ 0.11	\$ 0.06
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares outstanding basic	25,749	26,604	25,898	27,044
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average shares outstanding diluted	27,087	28,078	27,290	28,778
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-cash stock-based compensation included in the above expense:				
Cost of revenues	\$ (1)	\$ 7	\$ 6	\$ 9
Research and development	29	227	287	282
Sales and marketing	108	222	454	552
General and administrative	87	276	476	593
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 223	\$ 732	\$ 1,223	\$ 1,436
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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	Nine Months Ended September 30,	
	2004	
	2005	(as restated)
Cash from operating activities:		
Net income	\$ 3,117	\$ 1,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,059	1,360
Reduction in doubtful accounts		(53)
Impairment charges		680
Amortization of acquired technology and capitalized software	1,107	1,465
Amortization of other intangible assets		606
Amortization of deferred stock-based compensation	1,213	1,378
Issuance of options in exchange for services	10	58
Deferred income taxes	43	(16)
Tax benefit arising from disqualified disposition of stock options		