

SABA SOFTWARE INC  
Form 10-Q  
April 07, 2011  
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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 February 28, 2011

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

For the transition period from            to            .

001-34372

(Commission File number)

**SABA SOFTWARE, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3267638**  
(I.R.S. Employer  
Identification No.)

**2400 Bridge Parkway**  
**Redwood Shores, California**  
(Address of principal executive offices)

**94065-1166**  
(Zip Code)

**(650) 581-2500**

(Registrant's 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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-Accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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

On March 31, 2011, 28,298,637 shares of the registrant's Common Stock, \$0.001 par value, were outstanding.

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**QUARTER ENDED FEBRUARY 28, 2011**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share data)

(Unaudited)

	February 28, 2011	May 31, 2010 (As Adjusted)*
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,049	\$ 32,002
Restricted cash	11	20
Accounts receivable, net of allowances for doubtful accounts of \$150 as of February 28, 2011 and May 31, 2010	27,922	23,352
Prepaid expenses and other current assets	3,305	2,113
<b>Total current assets</b>	<b>63,287</b>	<b>57,487</b>
Property and equipment, net	2,658	3,178
Goodwill	36,095	36,095
Purchased intangible assets, net	2,353	5,027
Restricted cash	421	260
Other assets	2,285	1,921
<b>Total assets</b>	<b>\$ 107,099</b>	<b>\$ 103,968</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 3,776	\$ 3,218
Accrued compensation and related expenses	7,067	8,069
Accrued expenses	2,821	2,746
Deferred revenue	39,247	34,435
Current portion of lease obligations	1,219	450
<b>Total current liabilities</b>	<b>54,130</b>	<b>48,918</b>
Deferred revenue, less current portion	3,165	2,559
Other long-term liabilities	1,202	1,156
Accrued rent	350	1,785
<b>Total Liabilities</b>	<b>58,847</b>	<b>54,418</b>
Stockholders equity:		
Preferred stock, issuable in series \$0.001 par value, 5,000,000 authorized shares at February 28, 2011 and May 31, 2010; none issued or outstanding		
Common stock, \$0.001 par value, 50,000,000 authorized; 28,899,494 shares issued at February 28, 2011 and 28,252,131 shares issued at May 31, 2010	29	29

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Additional paid-in capital	259,766	255,938
Treasury stock: 636,640 shares at February 28, 2011 and 121,997 shares at May 31, 2010	(3,361)	(328)
Accumulated deficit	(208,315)	(205,812)
Accumulated other comprehensive income (loss)	133	(277)
<b>Total stockholders' equity</b>	<b>48,252</b>	<b>49,550</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 107,099</b>	<b>\$ 103,968</b>

\* Certain amounts have been adjusted for the retrospective change in accounting principle for sales commission (See Note 2).  
See Accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except share and per share data)

(Unaudited)

	Three months ended February 28,		Nine months ended February 28,	
	2011	2010	2011	2010
		(As Adjusted)*		(As Adjusted)*
<b>Revenues:</b>				
Subscription	\$ 16,739	\$ 14,333	\$ 47,237	\$ 42,445
License	4,994	5,515	14,258	17,579
Professional services	8,612	6,812	25,235	19,929
<b>Total revenues</b>	<b>30,345</b>	<b>26,660</b>	<b>86,730</b>	<b>79,953</b>
<b>Cost of revenues:</b>				
Cost of subscription	4,074	4,103	11,885	12,266
Cost of license	292	163	725	597
Cost of professional services	6,427	5,070	18,115	14,420
Amortization of acquired developed technology	196	295	785	884
<b>Total cost of revenues</b>	<b>10,989</b>	<b>9,631</b>	<b>31,510</b>	<b>28,167</b>
<b>Gross profit</b>	<b>19,356</b>	<b>17,029</b>	<b>55,220</b>	<b>51,786</b>
<b>Operating expenses:</b>				
Research and development	4,530	4,609	13,388	13,555
Sales and marketing	10,033	7,734	30,932	23,172
General and administrative	3,862	3,530	10,693	10,985
Restructuring				(38)
Amortization of purchased intangible assets	621	634	1,891	1,903
<b>Total operating expenses</b>	<b>19,046</b>	<b>16,507</b>	<b>56,904</b>	<b>49,577</b>
<b>Income (loss) from operations</b>	<b>310</b>	<b>522</b>	<b>(1,684)</b>	<b>2,209</b>
Interest and other income (expense), net	(196)	(48)	(256)	(15)
Interest expense	3	(1)		(6)
<b>Income (loss) before provision for income taxes</b>	<b>117</b>	<b>473</b>	<b>(1,940)</b>	<b>2,188</b>
Provision for income taxes	(126)	(44)	(563)	(197)
<b>Net (loss) income</b>	<b>\$ (9)</b>	<b>\$ 429</b>	<b>\$ (2,503)</b>	<b>\$ 1,991</b>
<b>Basic net income (loss) per share</b>	<b>\$</b>	<b>\$ 0.02</b>	<b>\$ (0.09)</b>	<b>\$ 0.07</b>
<b>Diluted net income (loss) per share</b>	<b>\$</b>	<b>\$ 0.01</b>	<b>\$ (0.09)</b>	<b>\$ 0.07</b>
<b>Shares used in computing basic net income (loss) per share</b>	<b>28,260</b>	<b>27,922</b>	<b>28,202</b>	<b>28,336</b>

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Shares used in computing diluted net income (loss) per share	28,260	29,043	28,202	29,308
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\* Certain amounts have been adjusted for the retrospective change in accounting principle for sales commission (See Note 2).  
See Accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****SABA SOFTWARE, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)****(Unaudited)**

	<b>Nine months ended February 28,</b>	
	<b>2011</b>	<b>2010 (As Adjusted)*</b>
<b>Operating activities:</b>		
Net (loss) income	\$ (2,503)	\$ 1,991
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>		
Depreciation and amortization	1,663	1,821
Amortization of purchased intangible assets	2,674	2,787
Share-based compensation	2,211	1,267
<b>Changes in operating assets and liabilities:</b>		