

SERENA SOFTWARE INC
Form 10-Q
December 14, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED October 31, 2012

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 NO. 000-25285

SERENA SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)
1850 GATEWAY DRIVE, SAN MATEO, CALIFORNIA 94404-4060

94-2669809
(I.R.S. Employer
Identification No.)

(Address of principal executive offices, including zip code)
650-481-3400

(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 (§232.405 of this chapter) 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

As of October 31, 2012, 98,754,671 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****SERENA SOFTWARE, INC.****Condensed Consolidated Balance Sheets****(In thousands, except share data)**

(Unaudited)

	October 31, 2012	January 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 94,568	\$ 109,688
Accounts receivable, net of allowance of \$1,039 and \$963 at October 31, 2012 and January 31, 2012, respectively	23,182	23,747
Deferred tax assets, net	5,016	5,015
Prepaid expenses and other current assets	6,474	7,779
Total current assets	129,240	146,229
Property and equipment, net	5,053	4,879
Intangible assets, net	53,881	77,264
Goodwill	462,400	462,400
Other long-term assets	4,844	3,600
TOTAL ASSETS	\$ 655,418	\$ 694,372
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 1,571	\$ 1,515
Accrued expenses	15,825	18,916
Accrued interest payable	2,527	7,030
Current portion of long-term debt	25,000	
Income taxes payable	335	683
Deferred revenue	56,657	68,861
Total current liabilities	101,915	97,005
Long-term debt	410,042	442,765
Long-term deferred revenue	7,527	9,443
Deferred tax liabilities, net	10,960	20,835
Other long-term liabilities	4,936	5,423
Total liabilities	535,380	575,471
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; none issued and outstanding		
Series A Preferred stock, \$0.01 par value; 1 share authorized; none issued and outstanding		

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Common stock, \$0.01 par value; 200,000,000 shares authorized; 98,754,671 and 98,392,478 shares issued and outstanding at October 31, 2012 and January 31, 2012, respectively	987	984
Additional paid-in capital	517,288	516,578
Accumulated other comprehensive loss	(1,856)	(1,573)
Accumulated deficit	(396,381)	(397,088)
Total stockholders' equity	120,038	118,901
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 655,418	\$ 694,372

See accompanying notes to condensed consolidated financial statements.

Table of Contents**SERENA SOFTWARE, INC.****Condensed Consolidated Statements of Comprehensive Income****For the Three and Nine Months Ended October 31, 2012 and 2011****(In thousands)****(Unaudited)**

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	2012	2011
Revenue:				
Software licenses	\$ 13,419	\$ 14,637	\$ 32,938	\$ 38,347
Maintenance	34,307	35,163	103,244	106,179
Professional services	5,438	5,858	17,349	17,483
Total revenue	53,164	55,658	153,531	162,009
Cost of revenue:				
Software licenses	884	1,006	1,856	1,803
Maintenance	2,904	2,949	8,561	8,662
Professional services	5,312	5,263	16,631	16,425
Amortization of technology		21		3,672
Total cost of revenue	9,100	9,239	27,048	30,562
Gross profit	44,064	46,419	126,483	131,447
Operating expenses:				
Sales and marketing	13,835	15,446	42,983	45,646
Research and development	6,985	6,757	20,695	20,296
General and administrative	3,603	3,406	11,870	10,573
Amortization of intangible assets	9,077	9,198	27,336	27,599
Restructuring, acquisition and other charges	1,265	662	3,274	2,331
Total operating expenses	34,765	35,469	106,158	106,445
Operating income	9,299	10,950	20,325	25,002
Other income (expense):				
Interest income	46	34	144	105
Interest expense	(7,338)	(6,830)	(22,004)	(20,222)
Loss on early extinguishment of debt			(154)	
Amend and extend transaction fees			(577)	(1,487)
Total other expense, net	(7,292)	(6,796)	(22,591)	(21,604)
Income (loss) before income taxes	2,007	4,154	(2,266)	3,398
Income tax (benefit) provision	(2,127)	952	(2,973)	492
Net income	4,134	3,202	707	2,906

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Foreign currency translation adjustments	102	(422)	(283)	(450)
Comprehensive income	\$ 4,236	\$ 2,780	\$ 424	\$ 2,456

See accompanying notes to condensed consolidated financial statements.

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SERENA SOFTWARE, INC.

Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended October 31, 2012 and 2011

(In thousands)

(Unaudited)

	Nine Months Ended October 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 707	\$ 2,906
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	29,289	33,441
Stock-based compensation	1,388	