

VERISIGN INC/CA  
Form 10-Q  
November 07, 2008  
Table of Contents

**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 September 30, 2008

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: 000-23593

**VERISIGN, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: VERISIGN INC/CA - Form 10-Q

<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>94-3221585</b> (I.R.S. Employer Identification No.)
<b>487 East Middlefield Road, Mountain View, CA</b> (Address of principal executive offices)	<b>94043</b> (Zip Code)
<b>Registrant's telephone number, including area code: (650) 961-7500</b>	

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 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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding October 31, 2008
Common stock, \$.001 par value	194,036,155

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	3
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	52
Item 4. <u>Controls and Procedures</u>	53
<b>PART II OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	55
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	75
Item 6. <u>Exhibits</u>	76
<u>Signatures</u>	77

**Table of Contents**

**PART I FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

As required under Item 1 Condensed Consolidated Financial Statements (Unaudited) included in this section are as follows:

<b>Financial Statement Description</b>	<b>Page</b>
<u>Condensed Consolidated Balance Sheets as of September 30, 2008 and December 31, 2007</u>	4
<u>Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2008 and 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2008 and 2007</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7

**Table of Contents**

**VERISIGN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

(Unaudited)

	September 30, 2008	December 31, 2007
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 403,525	\$ 1,376,722
Short-term investments	248,794	1,011
Accounts receivable, net of allowance for doubtful accounts of \$1,931 and \$6,329 at September 30, 2008, and December 31, 2007, respectively	68,189	208,799
Prepaid expenses and other current assets	94,462	163,041
Assets held for sale	692,981	
<b>Total current assets</b>	<b>1,507,951</b>	<b>1,749,573</b>
Property and equipment, net	374,097	621,917
Goodwill	355,057	1,082,420
Other intangible assets, net	29,305	121,792
Restricted cash	2,113	46,936
Other assets	296,342	290,647
Investments in unconsolidated entities	125,307	109,828
<b>Total long-term assets</b>	<b>1,182,221</b>	<b>2,273,540</b>
<b>Total assets</b>	<b>\$ 2,690,172</b>	<b>\$ 4,023,113</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 264,832	\$ 398,124
Accrued restructuring costs	32,942	2,878
Deferred revenues	591,750	552,070
Other liabilities	2,758	2,632
Liabilities related to assets held for sale	76,865	
<b>Total current liabilities</b>	<b>969,147</b>	<b>955,704</b>
Long-term deferred revenues	206,018	186,719
Long-term accrued restructuring costs	1,161	1,473
Convertible debentures	1,263,613	1,265,296
Other long-term liabilities	25,382	41,133
<b>Total long-term liabilities</b>	<b>1,496,174</b>	<b>1,494,621</b>
<b>Total liabilities</b>	<b>2,465,321</b>	<b>2,450,325</b>
Commitments and contingencies		
Minority interest in subsidiaries	59,950	54,485

Edgar Filing: VERISIGN INC/CA - Form 10-Q

Stockholders' equity:		
Preferred stock - par value \$.001 per share; Authorized shares: 5,000,000; Issued and outstanding shares: none		
Common stock - par value \$.001 per share; Authorized shares: 1,000,000,000; Issued and outstanding shares: 193,946,072 excluding 110,010,950 held in treasury, at September 30, 2008, and 222,849,348 excluding 73,720,953 shares held in treasury, at December 31, 2007	303	297
Additional paid-in capital	21,470,824	22,559,045
Accumulated deficit	(21,317,195)	(21,043,014)
Accumulated other comprehensive income	10,969	1,975
<b>Total stockholders' equity</b>	<b>164,901</b>	<b>1,518,303</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,690,172</b>	<b>\$ 4,023,113</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****VERISIGN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Revenues	\$ 246,052	\$ 215,744	\$ 724,992	\$ 636,457
Costs and expenses				
Cost of revenues	55,880	60,523	168,719	185,729
Sales and marketing	41,298	55,407	133,349	180,832
Research and development	22,337	25,263	72,089	78,676
General and administrative	49,896	59,268	154,369	178,663
Restructuring, impairments and other charges (reversals), net	5,973	(1,030)	107,366	33,601
Amortization of other intangible assets	2,865	4,478	8,623	14,641
Total costs and expenses	178,249	203,909	644,515	672,142
Operating income (loss)	67,803	11,835	80,477	(35,685)
Other (loss) income, net	(12,688)	(6,408)	(20,107)	86,109
Income from continuing operations before income taxes, (loss) earnings from unconsolidated entities and minority interest	55,115	5,427	60,370	50,424
Income tax (expense) benefit	(8,071)	7,964	(6,642)	(5,241)
(Loss) earnings from unconsolidated entities, net of tax	(2,509)	216	(3,099)	2,412
Minority interest, net of tax	(815)	(2,054)	(2,710)	(2,541)
Income from continuing operations	43,720	11,553	47,919	45,054
Discontinued operations, net of tax	(243,754)	3,401	(322,100)	26,936
Net (loss) income	\$ (200,034)	\$ 14,954	\$ (274,181)	\$ 71,990
Basic (loss) income per share from:				
Continuing operations	\$ 0.23	\$ 0.05	\$ 0.24	\$ 0.19
Discontinued operations	(1.26)	0.01	(1.62)	0.11
Net (loss) income	\$ (1.03)	\$ 0.06	\$ (1.38)	\$ 0.30
Diluted (loss) income per share from:				
Continuing operations	\$ 0.22	\$ 0.05	\$ 0.24	\$ 0.18
Discontinued operations	(1.24)	0.01	(1.59)	0.11
Net (loss) income	\$ (1.02)	\$ 0.06	\$ (1.35)	\$ 0.29
Shares used in per share computation:				
Basic	193,853	240,054	198,622	242,570

Edgar Filing: VERISIGN INC/CA - Form 10-Q

Diluted	195,930	245,537	202,951	247,752
---------	---------	---------	---------	---------

See accompanying Notes to Condensed Consolidated Financial Statements.

**Table of Contents****VERISIGN, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	<b>Nine Months Ended September 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:		
Net (loss) income	\$ (274,181)	\$ 71,990
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Gain on divestiture of businesses, net of tax	(32,853)	(76,356)
Unrealized gain on joint venture call options		(7,747)
Unrealized (gain) loss on contingent interest derivative on convertible debentures	(1,664)	12,589
Depreciation of property and equipment	85,454	85,195
Amortization of other intangible assets	22,758	90,693
Impairments and other charges	354,558	13,797
Provision for doubtful accounts	1,119	(116)
Stock-based compensation	75,368	66,863
Loss on sale of property and equipment	80,487	
Net loss on sale and other-than-temporary impairment of investments	6,571	3,429
Loss (earnings) from unconsolidated entities, net of tax	3,099	(2,412)
Minority interest, net of tax	2,710	2,541
Excess tax benefit associated with stock options	(7,094)	
Deferred income taxes	(13,380)	16,442
Changes in operating assets and liabilities:		
Accounts receivable	30,548	(113,268)
Prepaid expenses and other current assets	17,044	133,053
Accounts payable and accrued liabilities	(114,394)	(129,133)
Accrued restructuring costs	29,752	2,926
Deferred revenues	93,164	96,719
Net cash provided by operating activities		