

EMBARCADERO TECHNOLOGIES INC
Form 10-Q
May 14, 2002
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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 March 31, 2002.

**.. 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.)

425 MARKET STREET, SUITE 425
SAN FRANCISCO, CA 94105
(415) 834-3131
(Address of principal executive offices)

Indicate by check mark whether the registrant (1) 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. x Yes .. No

The number of shares outstanding of the Registrant's Common Stock as of March 31, 2002 was 27,224,397.

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS**EMBARCADERO TECHNOLOGIES, INC.**

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(unaudited)

	March 31, 2002	December 31, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 24,174	\$ 23,371
Short-term investments	15,195	16,532
Trade accounts receivable, net	7,281	6,221
Prepaid expenses and other current assets	1,632	1,711
	48,282	47,835
Total current assets		
Property and equipment, net	4,160	3,766
Goodwill and other intangible assets, net	18,795	19,334
Deferred income taxes	4,914	4,914
Other assets	456	313
	76,607	76,162
Total assets		
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 3,293	\$ 5,264
Deferred revenue	9,723	9,099
Deferred income taxes	2,317	2,317
	15,333	16,680
Total current liabilities		
Stockholders' Equity:		
Common stock, \$0.001 par value	27	27
Treasury stock	(1,781)	(1,781)
Additional paid-in capital	74,704	74,220
Accumulated other comprehensive income	92	116
Deferred stock-based compensation	(1,852)	(2,531)
Accumulated deficit	(9,916)	(10,569)
	61,274	59,482
Total stockholders' equity		
Total liabilities and stockholders' equity	\$ 76,607	\$ 76,162

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

Table of Contents**EMBARCADERO TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share data)****(unaudited)**

	Three Months Ended March 31,	
	2002	2001
	2002	2001
Revenues:		
License	\$ 7,096	\$ 9,148
Maintenance	5,406	4,543
Total revenues	12,502	13,691
Cost of revenues:		
License:		
License, other	129	173
Amortization of acquired technology	269	202
Total license	398	375
Maintenance:		
Maintenance, other	625	655
Non-cash stock-based compensation	1	4
Total maintenance	626	659
Total cost of revenues	1,024	1,034
Gross profit	11,478	12,657
Operating expenses:		
Research and development:		
Research and development, other	3,717	3,411
Non-cash stock-based compensation	13	45
Total research and development	3,730	3,456
Sales and marketing:		
Sales and marketing, other	4,625	4,822
Non-cash stock-based compensation	250	492
Total sales and marketing	4,875	5,314
General and administrative:		
General and administrative, other	924	949
Non-cash stock-based compensation	417	844
Total general and administrative	1,341	1,793

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Amortization of goodwill and other intangible assets	385	1,405
Total operating expenses	10,331	11,968
Income from operations	1,147	689
Interest income	176	364
Other expenses		(160)
Expenses related to proposed public offering		(350)
Income before provision for income taxes and share in loss of joint venture	1,323	543
Provision for income taxes	(370)	(786)
Income (loss) before share in loss of joint venture	953	(243)
Share in loss of joint venture, net	(300)	
Net income (loss)	\$ 653	\$ (243)
Net income (loss) per share:		
Basic	\$ 0.02	\$ (0.01)
Diluted	\$ 0.02	\$ (0.01)
Weighted average shares used in per share calculation:		
Basic	27,132	27,013
Diluted	29,639	27,013

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

Table of Contents**EMBARCADERO TECHNOLOGIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2002	2001
Cash Flows from Operating Activities:		
Net income (loss)	\$ 653	\$ (243)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	481	329
Provision for doubtful accounts	143	(59)
Amortization of goodwill and other intangible assets	699	1,607
Amortization of deferred stock-based compensation	679	1,385
Share in loss of joint venture	417	
Changes in assets and liabilities:		
Trade accounts receivable	(1,203)	660
Prepaid expenses and other current assets	19	1,747
Deferred income taxes, net		(179)
Accounts payable and accrued liabilities	29	(187)
Deferred revenue	624	581
Other assets		(100)
	<u>2,541</u>	<u>5,541</u>
Net cash provided by operating activities	2,541	5,541
Cash Flows from Investing Activities:		
Sales and maturities of investments	1,337	
Purchase of property and equipment	(875)	(594)
Technology acquired and developed	(160)	(2,177)
Deferred payment in connection with acquisition of subsidiary	(2,000)	
Investment in joint venture	(500)	
	<u>(2,198)</u>	<u>(2,771)</u>
Net cash used in investing activities	(2,198)	(2,771)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options	484	261
	<u>484</u>	<u>261</u>
Net cash provided by financing activities	484	261
Effect of exchange rate changes on cash	(24)	
Net increase in cash and cash equivalents	803	3,031
Cash and cash equivalents at beginning of period		