

EMBARCADERO TECHNOLOGIES INC
Form 10-Q
November 09, 2001

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2001.

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.

Yes No

The number of shares outstanding of the Registrant's Common Stock as of October 31, 2001 was 27,152,583.

EMBARCADERO TECHNOLOGIES, INC.

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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)

	September 30, 2001	December 31, 2000
	<u> </u>	<u> </u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$40,708	\$34,745
Trade accounts receivable, net	5,802	6,622
Prepaid and other current assets	2,038	3,408
	<u> </u>	<u> </u>
Total current assets	48,548	44,775
Property and equipment, net	3,252	3,299
Goodwill and other intangible assets, net	20,242	20,522
Deferred income taxes	1,117	1,117
Other assets	201	264
	<u> </u>	<u> </u>
Total assets	\$73,360	\$69,977
	<u> </u>	<u> </u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

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Accounts payable and accrued liabilities	\$ 5,836	\$ 4,797
Deferred revenue	8,928	7,939
Deferred income taxes	181	980
	<u> </u>	<u> </u>
Total current liabilities	14,945	13,716
Stockholders Equity:		
Common stock, \$0.001 par value	27	27
Additional paid-in capital	71,553	70,949
Accumulated other comprehensive income	116	
Deferred stock-based compensation	(3,353)	(6,886)
Accumulated deficit	(9,928)	(7,829)
	<u> </u>	<u> </u>
Total stockholders equity	58,415	56,261
	<u> </u>	<u> </u>
Total liabilities and stockholders equity	\$73,360	\$69,977
	<u> </u>	<u> </u>

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,	
	2001	2000	2001	2000
Revenues:				
License	\$ 6,123	\$ 7,640	\$25,064	\$19,562
Maintenance	4,950	3,211	14,299	8,252
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	11,073	10,851	39,363	27,814
Cost of revenues:				
License:				
License, other	136	150	550	445
Amortization of acquired technology	231		635	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total license	367	150	1,185	445
Maintenance:				
Maintenance, other	517	313	1,675	913
Amortization of non-cash stock-based compensation	3	6	10	29
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total maintenance	520	319	1,685	942
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Total cost of revenues	887	469	2,870	1,387
Gross profit	10,186	10,382	36,493	26,427
Operating expenses:				
Research and development:				
Research and development, other	3,915	2,790	10,811	6,640
Amortization of non-cash stock-based compensation	29	77	110	279
Total research and development	3,944	2,867	10,921	6,919
Sales and marketing:				
Sales and marketing, other	5,022	3,106	15,146	8,216
Amortization of non-cash stock-based compensation	352	716	1,259	2,821
Total sales and marketing	5,374	3,822	16,405	11,037
General and administrative:				
General and administrative, other	945	866	2,918	2,439
Amortization of non-cash stock-based compensation	600	1,219	2,156	5,038
Total general and administrative	1,545	2,085	5,074	7,477
Amortization of goodwill and other intangible assets	1,405		4,215	
Lease related impairment loss	1,490		1,490	
Total operating expenses	13,758	8,774	38,105	25,433
Income (loss) from operations	(3,572)	1,608	(1,612)	994
Other income, net	271	651	810	1,181
Expenses related to proposed public offering			(350)	
Income (loss) before income taxes	(3,031)	2,259	(1,152)	2,175
Benefit from (provision for) income taxes	887	(1,517)	(947)	(3,972)
Income (loss) before share in affiliated company loss	(2,414)	742	(2,099)	(1,797)
Share in loss of affiliated company		(65)		(230)
Net income (loss)	(2,414)	677	(2,099)	(2,027)
Deemed preferred stock dividend				(1,218)
Net income (loss) available to common stockholders	\$ (2,414)	\$ 677	\$ (2,099)	\$ (3,245)
Basic and Diluted Net Income (Loss) Per Share Available to Common Stockholders:				
Basic	\$ (0.09)	\$ 0.03	\$ (0.08)	\$ (0.13)
Diluted	\$ (0.09)	\$ 0.02	\$ (0.08)	\$ (0.13)

Weighted Average Shares Used in Per Share Calculation:

Basic	27,130	26,613	27,078	24,376
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Diluted	27,130	28,011	27,078	24,376
	<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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EMBARCADERO TECHNOLOGIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities:		
Net loss	\$ (2,099)	\$ (2,027)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,111	427
Provision for doubtful accounts	15	
Amortization of acquired technology	635	
Amortization of goodwill and other intangible assets	4,215	
Amortization of deferred stock-based compensation	3,533	8,167
Share in loss of affiliated company		230
Loss on disposal of property and equipment	170	36
Deferred income taxes, net	(799)	274
Lease related impairment loss	1,490	
Changes in assets and liabilities:		
Trade accounts receivable	805	(4,328)
&nbs		