

CHORDIANT SOFTWARE INC
Form 10-Q
November 03, 2003

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, 2003

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 000-29357

Chordiant Software, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

93-105328

(I.R.S. Employer Identification Number)

20400 Stevens Creek Boulevard, Suite 400

Cupertino, CA 95014

(Address of Principal Executive Offices including Zip Code)

(408) 517-6100

(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year if changed since last report)

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

The number of shares of the Registrant's common stock outstanding as of October 29, 2003 was 64,674,358.

CHORDIANT SOFTWARE, INC.
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PART I -- FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

**CHORDIANT SOFTWARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)**

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,094	\$ 30,731
Short-term investments and restricted cash	581	9,245
Accounts receivable, net	15,226	15,343
Prepaid expenses and other current assets	3,096	3,162
	<u>50,997</u>	<u>58,481</u>
Total current assets	50,997	58,481
Restricted cash	1,500	1,500
Property and equipment, net	3,313	5,069

	<u>September 30, 2003</u>	<u>December 31, 2002</u>
Goodwill, net	24,874	24,874
Intangible assets, net	2,304	4,975
Other assets	2,308	1,788
	<u> </u>	<u> </u>
Total assets	\$ 85,296	\$ 96,687
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Borrowings	\$ 1,191	\$ 1,114
Accounts payable	2,797	5,936
Accrued expenses	11,327	14,007
Deferred revenue	16,722	15,990
	<u> </u>	<u> </u>
Total current liabilities	32,037	37,047
Deferred revenue, long-term	5,241	8,532
Borrowings, long-term	940	136
Other liabilities	90	161
	<u> </u>	<u> </u>
Total liabilities	38,308	45,876
	<u> </u>	<u> </u>
Stockholders' equity:		
Common stock	55	55
Treasury stock	(332)	(332)
Additional paid-in capital	233,774	230,192
Notes receivable from stockholders	--	(496)
Deferred stock-based compensation	(3,446)	(6,750)
Accumulated deficit	(184,969)	(172,503)
Accumulated other comprehensive income	1,906	645
	<u> </u>	<u> </u>
Total stockholders' equity	46,988	50,811
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 85,296	\$ 96,687
	<u> </u>	<u> </u>

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

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(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Revenues:				
License	\$ 6,642	\$ 8,625	\$ 17,266	\$ 25,747
Service	11,124	10,276	31,400	31,038
Total revenues	17,766	18,901	48,666	56,785
Cost of revenues:				
License	267	163	847	1,218
Service	6,406	7,018	18,356	23,177
Non-cash compensation expense	343	62	1,121	233
Total cost of revenues	7,016	7,243	20,324	24,628
Gross profit	10,750	11,658	28,342	32,157
Operating expenses:				
Sales and marketing:				
Non-cash compensation expense	304	77	995	313
Other sales and marketing expense	4,995	7,619	15,728	25,038
Research and development:				
Non-cash compensation expense	414	212	1,279	602
Other research and development expense	4,110	5,281	12,075	15,382
Purchased in-process research and development	--	--	--	997
General and administrative:				
Non-cash compensation expense	675	61	1,653	222
Other general and administrative expense	1,432	2,323	4,942	6,448
Amortization of intangible assets	890	954	2,671	2,732
Restructuring expense	--	225	1,161	4,723
Total operating expenses	12,820	16,752	40,504	56,457
Loss from operations	(2,070)	(5,094)	(12,162)	(24,300)

Interest expense	(37)	(68)	(131)	(161)
Other income (expense), net	(22)	194	(173)	736
Net loss	\$ (2,129)	\$ (4,968)	\$ (12,466)	\$ (23,725)
Net loss per share:				
Basic and diluted	\$ (0.04)	\$ (0.09)	\$ (0.22)	\$ (0.43)
Shares used in per share calculation:				
Basic and diluted	60,037	55,547	57,327	54,726

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

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CHORDIANT SOFTWARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2003	September 30, 2002
Cash flows from operating activities:		
Net loss	\$ (12,466)	\$ (23,725)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,088	2,915
Amortization of intangibles	2,671	2,732
Non-cash compensation expense	5,048	1,369
Provision for doubtful accounts	21	554
Warrants issued to customers	55	--
(Gain) loss on disposal of assets	88	(7)
Purchased in-process research and development	--	997
Changes in assets and liabilities:		
Accounts receivable	96	6,790
Prepaid expenses and other current assets	66	2,263
Other assets	(520)	