

EMBARCADERO TECHNOLOGIES INC  
Form 10-Q  
August 09, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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

For the quarterly period ended June 30, 2004.

.. **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

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**EMBARCADERO TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Delaware

68-0310015

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(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer  
Identification No.)

**100 CALIFORNIA STREET, SUITE 1200**

**SAN FRANCISCO, CA 94111**

**(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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act).  Yes  No

The number of shares outstanding of the Registrant's Common Stock as of July 31, 2004 was 27,512,533.

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(in thousands, except par value)

(unaudited)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2004</b>	<b>2003</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 51,152	\$ 45,066
Short-term investments	14,592	12,901
Trade accounts receivable, net	8,135	8,237
Prepaid expenses and other current assets	2,026	1,670
Deferred income taxes	465	465
	<u>          </u>	<u>          </u>
Total current assets	76,370	68,339
Property and equipment, net	3,132	3,259
Goodwill	10,337	10,337
Other intangible assets, net	288	692
Deferred income taxes	3,711	3,711
Other assets, net	2,689	3,692
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 96,527</u>	<u>\$ 90,030</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 180	\$ 1,011
Accrued liabilities	5,451	5,098
Capital lease obligations	176	
Deferred revenue	14,005	13,219
	<u>          </u>	<u>          </u>
Total current liabilities	19,812	19,328
Long-term deferred revenue	252	251
Long-term capital lease obligations	309	
Long-term restructuring accrual	2,067	203
	<u>          </u>	<u>          </u>
Total liabilities	22,440	19,782

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<b>Stockholders Equity:</b>		
Common stock at \$0.001 par value	28	28
Treasury stock	(6,875)	(6,287)
Additional paid-in capital	84,631	80,145
Accumulated other comprehensive income	304	374
Deferred stock-based compensation	(2,880)	(1,519)
Accumulated deficit	(1,121)	(2,493)
	<hr/>	<hr/>
Total stockholders equity	74,087	70,248
	<hr/>	<hr/>
Total liabilities and stockholders equity	\$ 96,527	\$ 90,030
	<hr/>	<hr/>

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)**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>				
License	\$ 6,730	\$ 6,421	\$ 14,109	\$ 12,768
Maintenance	7,123	6,024	14,169	11,885
<b>Total revenues</b>	<b>13,853</b>	<b>12,445</b>	<b>28,278</b>	<b>24,653</b>
<b>Cost of revenues:</b>				
License	213	105	422	205
Amortization of acquired technology	556	556	1,111	1,111
Maintenance	620	565	1,242	1,153
<b>Total cost of revenues</b>	<b>1,389</b>	<b>1,226</b>	<b>2,775</b>	<b>2,469</b>
<b>Gross profit</b>	<b>12,464</b>	<b>11,219</b>	<b>25,503</b>	<b>22,184</b>
<b>Operating expenses:</b>				
Research and development	3,906	4,016	7,680	7,806
Sales and marketing	5,096	4,844	10,207	9,739
General and administrative	1,543	1,308	2,756	2,610
Restructuring and impairment charges	4,068		4,068	
<b>Total operating expenses</b>	<b>14,613</b>	<b>10,168</b>	<b>24,711</b>	<b>20,155</b>
<b>Income (loss) from operations</b>	<b>(2,149)</b>	<b>1,051</b>	<b>792</b>	<b>2,029</b>
Other income, net	168	159	319	285
<b>Income (loss) before provision for income taxes</b>	<b>(1,981)</b>	<b>1,210</b>	<b>1,111</b>	<b>2,314</b>
Benefit from (provision for) income taxes	1,127	(463)	261	(671)
<b>Net income (loss)</b>	<b>\$ (854)</b>	<b>\$ 747</b>	<b>\$ 1,372</b>	<b>\$ 1,643</b>
<b>Net income (loss) per share:</b>				
Basic	\$ (0.03)	\$ 0.03	\$ 0.05	\$ 0.06
Diluted	\$ (0.03)	\$ 0.03	\$ 0.05	\$ 0.06

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<b>Shares used in per share calculation:</b>				
Basic	27,394	26,488	27,260	26,569
Diluted	27,394	28,212	29,184	28,244
<b>Non-cash stock-based compensation included in the above expenses:</b>				
Cost of revenues	\$ 2	\$	\$ 2	\$
Research and development	55	3	55	6
Sales and marketing	181	77	330	182
General and administrative	171	97	317	247
	\$ 409	\$ 177	\$ 704	\$ 435

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)**

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash from Operating Activities:</b>		
Net income	\$ 1,372	\$ 1,643
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	940	1,065
Recovery of doubtful accounts	(24)	(57)
Impairment charges	680	
Amortization of developed technology	977	735
Amortization of other intangible assets	404	404
Amortization of deferred stock-based compensation	646	435
Issuance of options in exchange for services	58	
Changes in assets and liabilities:		
Trade accounts receivable	162	191
Prepaid expenses and other assets	(538)	(199)
Restructuring accrual	3,789	
Accounts payable and accrued liabilities	(2,305)	641
Deferred revenue	507	1,706
Net cash provided by operating activities	<u>6,668</u>	<u>6,564</u>